Exhibit No. 4

Confluence Rivers – Exhibit 4
Cox Direct
File No. WR-2023-0006

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Issues: Overview / Witness Introduction
Witness: Josiah Cox
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Missouri Public Service Commission

Direct Testimony

of

Josiah Cox

On Behalf of

Confluence Rivers Utility Operating Company, Inc

December 21, 2022

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DIRECT TESTIMONY OF
JOSIAH COX
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.

I. WITNESS INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140, St. Louis Missouri, 63131.

Q. WHAT IS YOUR POSITION WITH CONFLUENCE RIVERS UTILITY OPERATING COMPANY?

A. I am President of Confluence Rivers Utility Operating Company, Inc. ("Confluence Rivers" or "Company"). I am also President of CSWR, LLC, ("CSWR") and Central States Water Resources, Inc., ("Central States"), each of which is a Confluence Rivers affiliate.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science with a major in Environmental Science from the University of Kansas. In 2007, I earned an MBA from Washington University in St. Louis.

Professionally, I have worked at the Kansas state biological survey, where I performed wildlife habitat studies. I then worked at a civil engineering firm where I was involved in various facets of the land development process including permitting, entitlement, civil design, project management, and construction management. I focused mainly on the water and wastewater side of the civil engineering business and participated in every part of that business from waste-load allocation studies (now known as the anti-degradation processes), design, permitting, project management, and construction

management. I also ran the firm's environmental consulting division and was the second private consultant to submit a water quality impact study in the state of Missouri in 2003. I later joined the engineering firm's executive leadership team and helped run all the firm's operations.

Beginning in 2005, I raised money from a group of investors and formed a full-service civil engineering, environmental consulting, general contracting, and construction management firm. I served the firm as the Chief Operating Officer, and finally Chief Executive Officer, and while there I obtained extensive experience with rural communities in every facet of the water and wastewater compliance process, including environmental assessment, permitting, design, construction, operation and community administration of the actual water and wastewater (sewerage) systems. The firm performed stream sampling and built waste-load allocation models to determine permissible particle effluent pollutant loads for receiving water bodies. The firm did full engineering design of multiple whole community wastewater and water infrastructure systems including wells, water distribution, water treatment, water storage, wastewater conveyance, and wastewater treatment plants, pursued the designs through federal and state administered permitting processes in Missouri, and supervised the construction of these water and wastewater systems from green field site selection all the way through system startup and final engineering sign off.

In addition to running a design/build firm, starting in 2008, I took over the operations of an existing rural sewer district. I still act as the administrator of this system, where I manage the system’s functioning, testing, maintenance, performing all the billing,

emergency response, accounts payable/accounts receivable, collections, budgeting, customer service, and public meetings required to service the community.

In late 2010, after working on several small, failing water and wastewater systems, I created a business plan to acquire and recapitalize failing systems as investor-owned regulated water and wastewater utility companies. In early 2011, I went to the capital markets to raise money to implement my plan. Over a period of approximately three years, I met with over fifty-two infrastructure investment groups trying to raise necessary financing. In February 2014, I achieved my goal, and I used the debt and equity capital I was able to raise to start CSWR. In 2018, I was able to attract an additional large institutional private equity investor, which allowed me to expand the scope of my business plan.

Since its formation, CSWR has acquired, and currently is operating through various affiliates, 798 water and/or wastewater systems in Missouri, Kentucky, Louisiana, Texas, Arkansas, Tennessee, Mississippi, Arizona, North Carolina, and Florida. Utilities within the CSWR affiliate group have additional applications pending in Texas, Tennessee, Louisiana, Florida, North Carolina, Missouri, South Carolina, Arizona, and Mississippi seeking authorization from utility regulators in those states to acquire even more systems and customers.

Q. WHAT IS THE RELATIONSHIP OF CONFLUENCE RIVERS TO CENTRAL STATES AND CSWR?

A. Confluence Rivers is an affiliate of both Central States and CSWR. A corporate organization chart illustrating the relationship is attached hereto as Exhibit JMC-1. For all

companies shown in that exhibit, Central States serves as the designated Manager. Later in my testimony, I will discuss the role CSWR currently plays for its affiliated utility operating companies, including Confluence Rivers.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A. The purpose of my revised direct testimony is four-fold. First, I will briefly describe Confluence Rivers' operations and history in Missouri. Second, I will describe, generally, Confluence Rivers' request for an increase in rates, why that increase is necessary, and why the Commission should grant that request. Third, I will introduce each of the Confluence Rivers' witnesses in this case. Finally, I will present Confluence Rivers' request to consolidate rates across all its Missouri operations.[1]

II. DESCRIPTION OF CONFLUENCE RIVERS' OPERATIONS

Q. PLEASE DESCRIBE CONFLUENCE RIVERS' CURRENT OPERATIONS IN MISSOURI.

A. Confluence Rivers currently provides water service to approximately 4,400 water connections and wastewater service to approximately 4,600 connections in portions of the following Missouri counties: Audrain; Benton; Boone; Camden; Cape Girardeau; Clay; Clinton; Cole; Crawford; Franklin; Greene; Jefferson; Johnson; Lincoln; Madison; Montgomery; Perry; Pettis; Phelps; Platte; Polk; Ray; St. Francois; St. Louis; Taney; Warren; and Washington. A map showing the Confluence Rivers' geographically dispersed Missouri service areas is attached as Exhibit TT-1 to the direct testimony of

[1] As reflected in the testimony of Mr. Thomas, Confluence Rivers does not propose to include the impacts of the acquisition of Margaritaville in this rate case, nor does Confluence Rivers seek to consolidate the rates currently charged for Margaritaville.

Senior Vice President Todd Thomas. As of the date of this testimony, Confluence Rivers has invested approximately $28.6 million to acquire, upgrade, and improve the water and wastewater systems it currently owns and operates.

Q. DOES CONFLUENCE RIVERS PROPOSE TO ACQUIRE ADDITIONAL SYSTEMS IN MISSOURI?

A. Yes. In addition to those systems Confluence Rivers has been given Commission authorization to acquire, Confluence Rivers also hopes to acquire additional systems in Missouri as opportunities become available.

Q. PLEASE DESCRIBE THE GENERAL NATURE AND CONDITION OF THE WASTEWATER TREATMENT FACILITIES ACQUIRED BY CONFLUENCE RIVERS.[2]

A. The 42 wastewater facilities acquired or expects to acquire by December 31 by Confluence Rivers can broadly be broken into three categories: (1) discharging aerated and facultative lagoons (14 systems); (2) discharging activated sludge treatment plants (15 systems); and (3) recirculating sand filter systems (13 systems). The basic condition of these categories of plants at the time they were acquired by Confluence Rivers is described below.

The lagoon treatment plants that Confluence Rivers acquired were either in a completely failed state or in very poor condition. Almost without exception, the lagoons were overgrown by vegetation on their berms (which can pose acute structural failure

[2] Importantly, there is a distinction between "facilities" as used here and service areas as used in the Confluence Rivers' tariffs and by other witnesses. Here, as with Mr. Freeman's testimony, I am focusing on wastewater treatment plants. Therefore, the number of "facilities" is determined by the number of unique NPDES permits that exist. So, while Terre du Lac is one service area for the purposes of Commission-approved tariffs, Terre du Lac has three separate NPDES-permitted wastewater treatment facilities. For this reason, the number of service areas will rarely exactly match the number of service areas.

issues) as well as vegetation growing on the surface of the lagoons themselves. Such characteristics are typically indicative of a system that has suffered from an almost total lack of maintenance and operations. Some of the systems also had damaged berms, which create a risk of an unlawful discharge of wastewater into the environment or even of a complete structural failure which could lead to a massive environmental spill. The lagoon systems also suffered from massive sludge accumulation, which reduced treatment capacity and retention time. Finally, many of these systems had damaged or even missing aeration and disinfection equipment. As a result of all of these problems, many of these facilities struggled to meet permit limits and required significant process improvements to attain permit compliance. That means that residents around local receiving waterbodies were exposed to potentially harmful human pathogens and the aquatic environments were being degraded.

Similarly, the activated sludge systems that Confluence Rivers acquired were generally in a poor or completely failed condition upon acquisition. Most had missing or broken blower equipment and piping as well as missing or underperforming clarifiers, disinfection systems, lift stations, tank structures, and power/control systems. Others exhibited areas that required structural repair or fortification. Nearly all these systems also had significant sludge accumulation, which reduced treatment capacity and effectiveness. As a result of these deficiencies, almost all of the facilities also regularly experienced significant exceedances of their permit limits, which again means that Missouri citizens living around the receiving waterbodies of these wastewater plants were potentially exposed to harmful human pathogens and the aquatic environments were being degraded.

Finally, the recirculating sand filter systems generally had sand filters that were overgrown with vegetation and were impacted by sludge accumulation. The sand filters were often undermined by damaged filter bed structures that allowed for the unauthorized release of wastewater. Sludge accumulation was also seen in the septic and recirculation tanks. These systems often suffered from damaged or missing equipment including distribution piping, pumps, power/control systems and disinfection systems. Not surprisingly, as a result of these deficiencies, most of these recirculating sand filter systems demonstrated a consistent inability to meet permitted limits. This level of disrepair and ongoing permit violations is indicative of systems that produce waste that can expose local residents to human pathogen health threats and does degrade Missouri water bodies.

Mr. Jacob Freeman, CSWR's Director of Engineering, will go into more detail regarding the issues encountered in each category of wastewater system as well as the steps that Confluence Rivers has or plans to take to address these issues.

Q. PLEASE DESCRIBE THE GENERAL NATURE AND CONDITION OF THE WASTEWATER COLLECTION SYSTEMS ACQUIRED BY CONFLUENCE RIVERS.

A. The wastewater collection systems acquired by Confluence Rivers broadly consist of gravity and low-pressure collection systems, and sometimes a combination of the two, often with lift stations that aide in transporting wastewater to the treatment facility. In general, the low-pressure collection systems (and portions of collection systems) acquired by Confluence Rivers were in fair condition. These low-pressure conveyance systems typically don't require lift stations and are not subject to inflow and infiltration because

any break in the line will cause a notable, pressurized leak and will quickly be repaired, even under the significantly less reliable operations and maintenance performed by historical ownership groups.

Gravity collection, however, typically has more issues. Gravity collection systems often have damage that has not been noted by previous owners and has been left unchecked, leading to stormwater or groundwater inflow and infiltration, which increase flows to the plant. Additionally, gravity collection systems often require lift stations to convey wastewater to the treatment plant. Typically, the lift stations at facilities acquired by Confluence Rivers were in failed or very poor condition. Broken or missing equipment was routine, a lack of basic pump redundancy the norm, and most facilities had little or no system control and no remote monitoring. Additionally, nearly all lift stations the Company has acquired had significant accumulation of solids, reducing the capacity of the wet wells, potentially damaging internal equipment like pumps, or causing backups or sanitary sewage overflows for residents.

Q. PLEASE DESCRIBE THE GENERAL NATURE AND CONDITION OF THE DRINKING WATER SYSTEMS ACQUIRED BY CONFLUENCE RIVERS.

A. Twenty-five of the 26 drinking water systems Confluence Rivers has acquired or has been approved to acquire were typical systems – i.e., they utilized groundwater wells with disinfection and other treatment and included storage and distribution systems. The other system, Margaritaville, is a purchased water system and does not own any water production facilities. In general, the condition of water production facilities was at least operational. Well equipment, however, was often reaching the end of its useful life, controls were

nonexistent or mostly obsolete, and none of the systems had remote monitoring equipment on wells. This means residents had either already experienced frequent water outages, or they were in danger of potentially losing even the basic provision of water service. Disinfection equipment generally had failed or was in poor condition, often lacking backup chemical feed pumps which can result in unsafe water with a simple pump failure, and most of the storage equipment needed inspection and repair. This means that community members either had been exposed to water that could have potentially harmful pathogens or residents were in danger of being exposed to pathogens due to imminent disinfection system failures. Most of the water tankage, at a minimum, required sanding and/or painting to extend the structural life of the storage equipment. Some of these systems also had inadequate water storage to ensure safe and reliable water supply for customers. At acquisition, some systems had no functioning backup power, emergency service plans, or ability to connect backup power on site. The failing tankage, inadequate storage, and lack of backup power or emergency service plans meant that these Missouri customers either had frequent service disruptions or we constantly at risk of losing even the basic provision of service especially in emergency situations. The distribution systems generally were operating, with some notable exceptions where significant improvements were noted. Generally, distribution systems needed additional isolation valves to minimize customer impact in the event of a line break, and needed flushing valves or hydrants installed for distribution system maintenance. In addition, some systems had a number of leaks that Confluence Rivers has already begun to repair. As with the wastewater systems, Mr.

Freeman discusses the conditions of the drinking water systems that Confluence Rivers has acquired in much greater detail.

Q. YOU STATED MR. FREEMAN WOULD PROVIDE SPECIFIC INFORMATION ABOUT CONDITIONS CONFLUENCE RIVERS FOUND AT THE WATER AND WASTEWATER SYSTEMS IT ACQUIRED. CAN YOU PROVIDE EXAMPLES OF SOME OF THE ACTIONS THE COMPANY TOOK TO RECTIFY THOSE CONDITIONS AND IMPROVE SERVICE TO CUSTOMERS?

A. Yes, I can. Confluence Rivers has built an enviable track record of acquiring troubled systems, investing capital necessary to bring those systems into compliance with applicable health, safety, and environmental laws, and then operating those systems in a professional and cost-effective manner. The mission of our affiliate group is to "bring safe, reliable and environmentally responsible water resources to every community in the United States." In December of 2022 CSWR became the single largest owner of individual domestic wastewater treatment plants and one of the largest owners of individual drinking water systems in the US. I believe that CSWR is on track to become the entity responsible for bringing the most wastewater systems from noncompliance to compliance with Clean Water Act in US history. CSWR definitely has the greatest amount of recent experience turning around the largest number of small water and wastewater systems that I am aware of in the US. I believe the following community examples clearly illustrate how our experience turning around utilities across the US make our water resources mission a reality for Missouri customers.

Indian Hills

The Indian Hills community, located in Crawford County, has existed for more than 50 years. But prior to Confluence Rivers' 2016 acquisition, the previous owners failed to upgrade and expand the water system to keep up with community growth and generally neglected system maintenance, thereby endangering the health of the community's approximately 2,500 residents. For example, both well houses were in such a state of disrepair as to pose hazards to anyone required to enter them. They were infested with mold and mildew and lacked adequate ventilation. In fact, Well House 2 was in such bad shape that independent technicians engaged to assess the facilities declared the structure inoperable. And the electrical system in Well House 1 – which housed the community's primary water source – was so deteriorated and neglected that anyone entering the structure risked electrocution. The drinking water systems at times had seventy percent water loss and, based on our observations at the time of closing, most likely did not provide the Missouri Department of Natural Resources ("MDNR") minimum pressure to parts of the community for decades thereby putting residents at risk for pathogen exposure. The water meters were failed and built inside cardboard meter pits. The water taps were made out of flexible rubber pipes that were essentially glorified garden hoses. These and similar, substandard conditions caused MDNR to issue twenty-seven citations for violations of applicable safe drinking water laws.

Upon acquisition, Confluence Rivers initiated a $1.84 million upgrade of the Indian Hills water system. Among the improvements that were made were: (1) existing well houses were demolished and replaced with separate rooms for disinfection equipment; (2)

piping was run from the well through the main well house where a magnetic meter and testing tap were installed; (3) piping was then run into a separate disinfection room where chlorine is added via redundant pumping; (4) piping then fed into a new 270,000 ground storage tank that allows for mandatory chlorine contact time; (5) piping then was run from the ground storage tank into the main building where a chlorine analyzer provided constant reading of residual disinfection; (6) water is then fed through dual variable frequency drive booster stations and forced into the water distribution system; (7) a backup generator was installed to meet MDNR requirements for system stability; (8) remote equipment monitoring for well production; chlorine addition and residuals; well pumping and status of the backup generator were installed; (9) the old non-functioning well was plugged to MDNR specifications; (10) a new 500 foot water well was drilled to MDNR requirements for source redundancy; and (11) 725 drinking water grade HDPE meter pits were installed with new remote electronic meters.

Elm Hills

In 2018, Confluence Rivers purchased the Elm Hills water and wastewater systems. Prior to that point in time, the State Park Village and Shriners Golf Course residential communities suffered from failing utility service. The Shriners system was served by Missouri Utilities, a previously Commission regulated company that had been in state appointed receivership for twelve years. For instance, the State Park Village wastewater system was discharging harmful contaminants including BOD5, TSS, ammonia and fecal coliform into an adjoining Missouri state park creek tributary that was a headwater to a

public access stream where Missouri State Park visitors could come into direct contact with human waste pathogens. At the Shriners community, raw sewage continually spilled on to the golf course. Additionally, rainwater collecting in the Shriner's sewage system caused basements to flood with untreated sewage. Similarly, the Shriners drinking water system had failed causing a communitywide water outage that the residents had to proverbially "pass the hat around" to collect money to fix a well pump. This system had six inches of rust sludge inside the pressure tank and an exposed wellhead which means residents were ingesting rust sediment, and potential pathogens had the ability to enter the drinking water system exposing residents to human health risks.

Upon acquisition, Confluence Rivers initiated a $1 million upgrade of these systems including converting the State Park Village wastewater plant to a state of the art fixed film media plant with full ultraviolet disinfection system protecting state park visitors. At the Shiners Golf Community CSWR used a biological process to remove sludge from the lagoons thereby restoring the system's full capacity and preventing overflows as well as installing a new bioreactor and ultraviolet sanitation technology to remove E.coli. On the Shriners drinking water side, Confluence Rivers did a full tank rehabilitation process, well remediation, and ran a water main to Sedalia to provide an emergency backup water source which ensured safe and reliable service.

III. RATE CASE OVERVIEW / WITNESS INTRODUCTION

Q. PLEASE SUMMARIZE THE RATE INCREASE CONFLUENCE RIVERS IS PROPOSING IN THIS CASE.

A. Confluence Rivers is asking the Commission to approve a total annual revenue requirement for the water operations of $3,479,616. Recognizing that current revenues are $2,192,868, this represents an annual increase of $1,286,748. For its sewer operations, Confluence Rivers is seeking a total annual revenue requirement of $4,685,572. Current revenues are $2,823,456. Therefore, Confluence Rivers is seeking an annual increase for sewer operations of $1,862,116. The specific elements of the revenue requirement and how it was derived are discussed in detail in the direct testimony of Mr. Brent Thies, who serves as Vice President and Controller of our affiliate group.

As the Commission is aware, the systems Confluence Rivers acquired and those it hopes to acquire in Missouri have been poorly managed, with failing infrastructure. Moreover, almost all the prior owners did not or do not have the technical, managerial, and financial ability to make capital investments necessary to ensure regulatory compliance and provide safe, efficient, and reliable service to customers. Most of those owners also failed to timely seek rate increases necessary to enable them to properly operate and maintain the systems. As a result, the rates that Confluence Rivers adopted when it acquired the systems – *i.e.,* rates in effect at closing – were insufficient to cover the operating costs for operations – that were woefully unprofessional and inadequate – and also failed to provide a fair rate of return.

Confluence Rivers' acquisitions changed all that. As described in Mr. Thomas' testimony, professional, experienced, and licensed professionals now oversee the operation and maintenance of these systems. And Confluence Rivers has made plant investments necessary to significantly improve service and set systems on a path that will ensure they

will fully comply with federal, state, and local laws and regulations. As Mr. Thomas further described, Confluence Rivers also has greatly upgraded and improved customer service so that customers are informed of the on-going issues being remediated in each community. However, the costs to upgrade and improve the systems and operate them in a manner that ensures customers have safe and reliable service that complies with all applicable health, safety, and environmental regulations have significantly increased operating costs. To address those costs, Confluence Rivers is forced to seek an increase in rates, which for some of the systems have not changed for many years. Confluence Rivers has spent a great deal of effort to mitigate these costs by building scale across the family of affiliates, using historical cash flows to lower debt costs, using innovative construction techniques to lower installation costs, pioneered wastewater treatment technologies to more efficiently treat waste at lower price points, and in an inflationary business environment lowered operating costs with actual functioning water and wastewater systems across the state.

This rate filing is designed to achieve two primary objectives. First, Confluence Rivers wants to increase rates to a level that allows it to recover reasonable operating costs and provide a fair return on the investments it has made to serve customers. Second, Confluence Rivers seeks to unify the terms of service and consolidate rates statewide.

Q. WHAT WITNESSES ARE PROVIDING DIRECT TESTIMONY IN SUPPORT OF YOUR RATE INCREASE REQUEST AND WHAT SUBJECTS WILL EACH OF THOSE WITNESSES ADDRESS?

A. In addition to myself, six other witnesses will provide direct testimony in support of the proposed rate increase. Those witnesses and the subjects they will cover in their respective testimonies are as follows:

- Todd Thomas - Discussion of the process for qualifying and selecting outside Operations and Maintenance contractors as well as customer service contractors; the request to exclude Margaritaville from this rate case; and treatment of STEP pumps at the Terre du Lac pressurized system.
- Jacob Freeman – Discussion of the condition of Confluence Rivers' systems at the time of acquisition and required system upgrades and improvements.
- Brent Thies – Discussion of how the revenue requirement was developed and the implementation of a property tax tracker.
- Dylan D'Ascendis – Capital structure, cost of debt, return on equity, and overall rate of return.
- Ned Allis – Development of depreciation rates.
- Timothy Lyons – Water and sewer rate design.

Q. WHY ARE THE RATE INCREASES THAT CONFLUENCE RIVERS SEEKS IN THIS CASE NECESSARY?

A. Although this is not the first rate case for some of the Company's Missouri customers, Confluence Rivers acknowledges that, for some, the rate increases that it seeks may be significant. However, there are several reasons why the request is reasonable and why the increases are necessary. First, it costs more to professionally operate water and wastewater systems in a manner that complies with applicable law than it costs to operate failing, non-

compliant systems that are often times violating state and federal laws. Almost all of the systems Confluence Rivers acquired had significant long-term compliance and operational issues, and this rate request reflects the increased capital and operating costs required to address those deficiencies. As a simple example many wastewater systems did not have operational mechanical components. As a result, chemical and power costs were often non-existent. Not surprisingly, when that equipment is brought online, power and operational costs immediately increase. Second, Confluence Rivers has made significant capital investments to upgrade its Missouri systems and bring them into regulatory compliance. This proposed rate increase seeks a fair return on the value of those investments in addition to the value of the assets Confluence Rivers acquired from the systems' previous owners. Finally, as I mentioned earlier, most of the systems have not sought rate increases in years or even decades. As a result, the rates currently in effect, and which Confluence Rivers adopted upon acquisition, do not come close to reflecting current operating and compliance costs, including recent inflation-driven cost increases. Consequently, the rates proposed in this case represent a significant percentage increase over current rates because current rates are well below what they would have been had previous owners exercised regulatory diligence in terms of critical repairs, capital investment, professional operations, and providing complaint customer service which would have regularly raised rates to levels required to provide safe and reliable service so customers.

IV. RATE CONSOLIDATION

Q. HOW DOES CONFLUENCE RIVERS PLAN TO MITIGATE THE EFFECT ON CUSTOMERS OF THE RATE INCREASES IT SEEKS IN THIS CASE?

A. Confluence Rivers acknowledges that the rates required to cover increases in operating costs and provide its investors a fair rate of return will impact customers. However, because the expenditures and investments necessary to bring some of the worst systems into compliance are significantly greater, customer impact would be much more significant if rates in this case are set on a system-by-system basis. Additionally, a significant number of customers that Confluence Rivers and its predecessor CSWR affiliates have served will actually experience a rate decrease. Therefore, Confluence Rivers proposes to mitigate the impact of the rate increases it requires by consolidating rates for all of its Missouri systems. Under that consolidation proposal, all Confluence Rivers customers in the same tier and rate class would be charged the same statewide rate for water or wastewater service.

Q. HAS CONFLUENCE RIVERS CONSOLIDATED OPERATIONS IN MISSOURI?

A. Yes, it has. In its October 14, 2021, Order in File No. WM-2021-0412 the Commission approved the consolidation/merger of Confluence Rivers Utility Operating Company, Hillcrest Utility Operating Company, Elm Hills Utility Operating Company, Osage Utility Operating Company, Raccoon Creek Utility Operating Company, and Indian Hills Utility Operating Company, with Confluence Rivers as the surviving company. That merger was completed effective January 1, 2022.

Q. DOES CONFLUENCE RIVERS PLAN TO FURTHER CONSOLIDATE ITS MISSOURI WATER AND WASTEWATER SYSTEMS?

A. Yes. All Missouri systems the company is authorized to acquire in the future will be acquired by Confluence Rivers and thereby will be consolidated with all the Company's current systems.

Q. HAVE CONSOLIDATED RATES BEEN RECOGNIZED AS A SOLUTION TO THE PROBLEM OF SMALL, NON-VIABLE WATER AND WASTEWATER SYSTEMS?

A. Yes. For years it has been recognized that single tariff pricing and the consolidation of rates encourages the consolidation of small water and wastewater systems into larger utilities. For instance, in a 2008 report, the National Regulatory Research Institute stated:

> Single tariff pricing is another way to encourage mergers. Enabling a uniform rate structure or consolidated rates for systems owned by the same entity may encourage a corporate utility to grow its business by acquiring – whether contiguous or interconnected or not – other systems. With consolidated pricing, customers pay the same price even though their individual system may have unique operating characteristics and needs. Single tariff pricing makes it easier to share costs among larger numbers of customers.[3]

Indeed, this Commission has recognized the benefits of rate consolidation in prior Staff-assisted rate cases involving our pre-merger Confluence Rivers and Elm Hills operating units. In each of those cases a single set of rates was authorized for all customers located within those units.

Q. WON'T CONSOLIDATED RATES REQUIRE CUSTOMERS SERVED BY "BETTER" SYSTEMS TO SUPPORT THE COST OF IMPROVEMENTS CONFLUENCE RIVERS IS MAKING TO SOME OF ITS WORST SYSTEMS?

[3] *Small Water Systems: Challenges and Recommendations*, National Regulatory Research Institute, February 7, 2008 (citing to *Joint Report of the US EPA and NARUC, Consolidated Water Rates: Issues and Practices in Single Tariff Pricing*, September 1999).

A. While this may appear to be true in the short run, it isn't true if you take a longer-term view. In each of the communities Confluence Rivers serves all of the distribution and treatment systems will eventually require major repairs and replacements. Some of those systems require more urgent investments that require upgrades and improvements today. However, over time all the systems that Confluence Rivers acquires in Missouri will require those same or similar investments. So, whatever short-term support may flow between systems that are in differing states of repair and compliance initially, that situation will inevitably reverse over time.

I also note that cross-subsidies in utility rates are the rule rather than the exception. For example, although it may cost an electric or gas utility much more to serve some individual customers than it does to serve others, electric and gas utilities have for decades had uniform rates for all customers within each rate class.

Confluence Rivers also believes consolidated rates reflect the common benefits all of its Missouri customers will receive from being served by Confluence Rivers, services that are provided more cost-effectively by consolidating systems to realize economies of scale, rather than system-specific rates, which would, in effect, punish customers of the currently most challenged systems for necessary investments each community will certainly require in the future.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Confluence Rivers Utility Operating Company, Inc.'s Request for Authority to Implement a General Rate Increase for Water Service and Sewer Service Provided in Missouri Service Areas.	)))))	**File No. WR-2023-0006** **File No. SR-2023-0007**

AFFIDAVIT OF JOSIAH COX

STATE OF MISSOURI)
) **ss**
COUNTY OF ST. LOUIS)

Josiah Cox, of lawful age and being first duly sworn, deposes and states:

1. My name is Josiah Cox. I am the President of CSWR, LLC.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Josiah Cox

Subscribed and sworn to me this 19th day of December, 2022

DANIEL RYAN JANOWIAK
Notary Public, Notary Seal
State of Missouri
St. Charles County
Commission # 20374795
My Commission Expires 05-04-2024

Notary Public

My commission expires 5/4/24.

Central States Water Resources Corporate Entity Organizational Chart

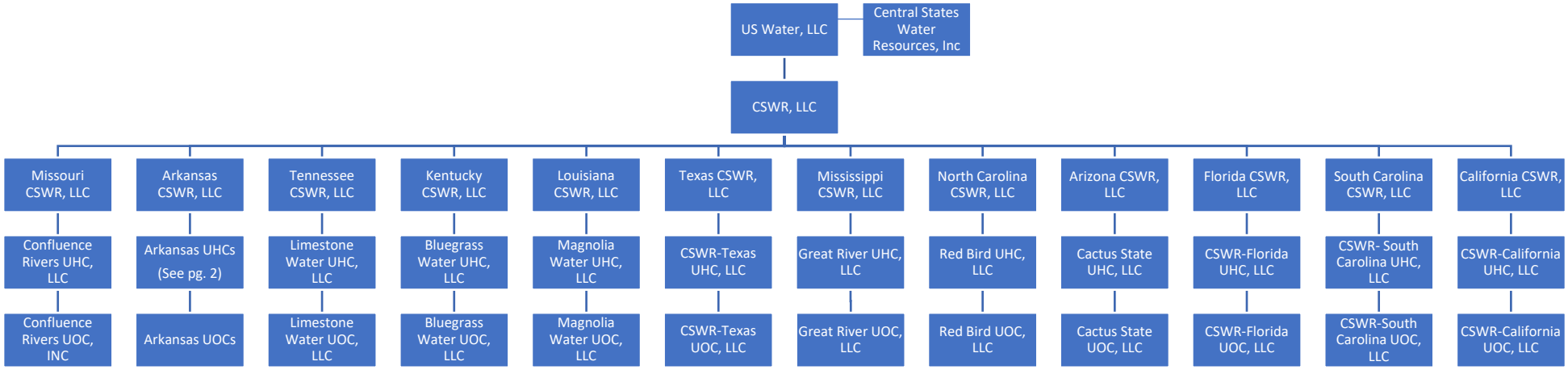
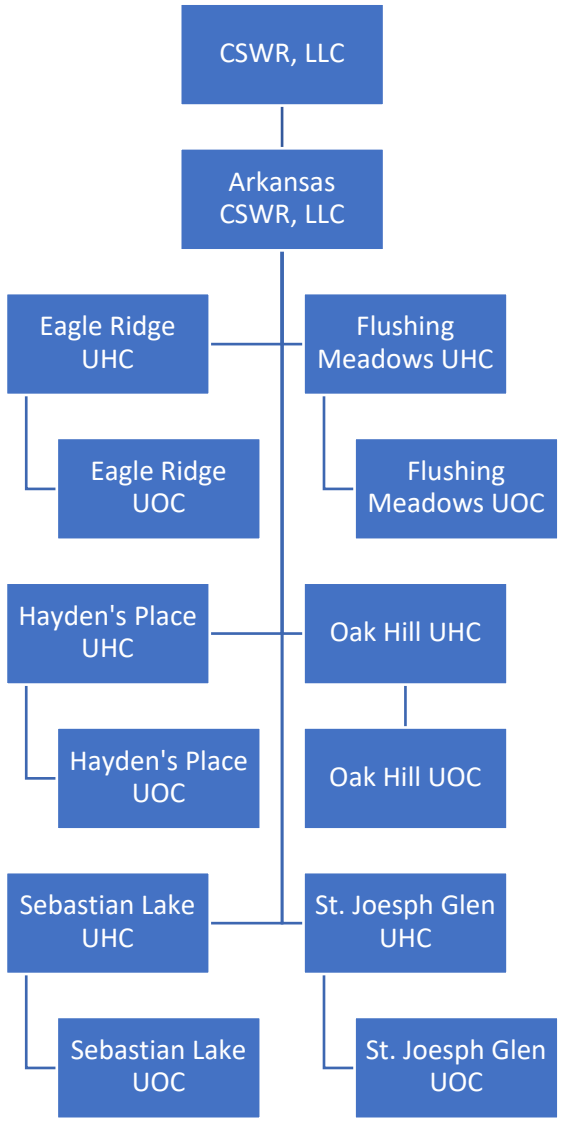


Exhibit JMC-1

Arkansas CSWR Organizational Chart Detail



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