

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND
PROFESSIONAL CORPORATION

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR
DEAN L. COOPER
GREGORY C. MITCHELL

312 EAST CAPITOL AVENUE
P.O. BOX 456
JEFFERSON CITY, MISSOURI 65102-0456
TELEPHONE (573) 635-7166
FACSIMILE (573) 635-0427

BRIAN T. MCCARTNEY
DIANA C. CARTER
JANET E. WHEELER
SCOTT A. HAMBLIN
M. MELISSA MANDA
JAMIE J. COX
L. RUSSELL MITTEN

OF COUNSEL
RICHARD T. CIOTTONI

January 12, 2007

Ms. Colleen Dale
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED³

JAN 12 2007

Missouri Public
Service Commission

Re: Middlefork Water Company

Dear Ms. Dale:

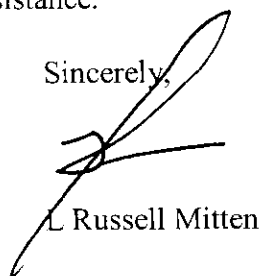
On behalf of Middlefork Water Company ("Middlefork"), enclosed please find an original and eight (8) copies of an Application to be filed.

A copy of this filing will be provided to the Commission's General Counsel and to the Office of the Public Counsel.

Would you please bring this filing to the attention of the appropriate Commission personnel.

Thank you very much for your assistance.

Sincerely,



L Russell Mitten

LRM/lar
Enclosures

cc: Missouri Public Service Commission General Counsel
Office of the Public Counsel

FILED³

JAN 12 2007

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the Matter of the Application of)
Middle Fork Water Company for an Order)
Initiating an Investigation to Ascertain)
the Value of the Company's Property)
Devoted to the Public Service.)

Case No. _____

APPLICATION OF MIDDLE FORK WATER COMPANY

Middle Fork Water Company ("Middle Fork" or "Company"), pursuant to Section 393.230, RSMo 2000, and in accordance with Missouri Public Service Commission ("Commission") Rule 4 CSR 240-2.075, hereby requests an order ascertaining the value of the Company's property devoted to the public service. In support of its application, Middle Fork states as follows:

1. Middle Fork is a Missouri corporation with its principal office and place of business at P.O. Box 468, Maryville, Missouri 64468. Middle Fork is engaged in the business of rendering water service to two wholesale customers – the Cities of Stanberry and Grant City – pursuant to a certificate of public convenience and necessity granted by the Commission in Case No. WA-92-65.

2. The Company is a "water corporation" and a "public utility" as those terms are defined in Section 386.020 RSMo 2000, and is subject to the jurisdiction and supervision of the Commission, as provided by law.

3. Middle Fork has no final, unsatisfied judgments or decisions against it from state or federal regulatory agencies or courts that involve customer service and that have occurred within the three (3) years immediately preceding the filing of this application. Middle Fork also has no overdue Commission annual reports or

assessment fees. And the Company has no other matters currently pending before the Commission.

4. In Case No. WA-92-65, the Company filed copies of its Certificate and Articles of Incorporation, and those documents are incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G).

5. Pleadings, notices, orders, and other correspondence and communications concerning this application should be addressed to the undersigned counsel and also to:

Brock Pfost, President
Middle Fork Water Company
P.O. Box 468
Maryville, MO 64468
Tele: (660) 582-4111

6. In the Company's last general rate case, Case No. WR-2006-0212, the Commission Staff ("Staff") proposed an adjustment to the value of the Company's investment in water plant that would have categorized a substantial portion of that investment as contributions-in-aid-of-construction. Staff's proposed adjustment appears to have been based on the assumption that, as Middle Fork pays-off its debt over time, the portion of the Company's total capitalization that is represented by the paid-off debt would be treated for ratemaking purposes as a contribution-in-aid-of- construction. Although Middle Fork did not agree with Staff's proposed adjustment, the parties to that case reached a "black box" settlement that allowed the Company the full amount of the rate increase it sought. By its order dated December 15, 2005, and effective two days thereafter, the Commission approved the agreement among Middle Fork, Staff, and the Office of the Public Counsel that proposed that the Company be authorized to increase

its rates for water service by \$30,000 annually. The terms of the agreement stated that it "reflect[s] compromises between the Staff, the Company and the OPC, and none of the parties have agreed to any particular ratemaking principle in arriving at the amount of the annual operating revenue specified herein." Because the Commission was not required to adopt, endorse, or reject Staff's proposed adjustment as part of the final order approving the parties' stipulation agreement, the valuation of Middle Fork's assets or how they should be treated for ratemaking purposes have not been formally adjudicated.

7. Although Middle Fork's disagreement in Case No. WR-2006-0212 with Staff's proposed adjustment that categorizes a substantial portion of the Company's plant as contributions-in-aid-of-construction did not prevent the parties to that case from reaching a stipulated settlement regarding rates, the Company remains concerned about what it believes are fundamentally incorrect assumptions underlying that adjustment. These concerns have, in part, prompted this request for an order ascertaining the value of Middle Fork's property devoted to the public service.

8. Middle Fork needs to make additional investments in its plant and facilities, but requires some assurance that these future investments, as well as investments made in the past, will be properly valued and categorized for ratemaking purposes. These additional investments are required both to:

a) maintain and improve service to existing customers through the installation of plant improvements such as new or enhanced chemical feeds;

b) allow Middle Fork to participate in the "Northwest Missouri Water Partnership," a multi-county, long-term planning process currently being conducted by the Missouri

Department of Natural Resources ("MDNR") that will produce a plan to interconnect viable water supplies in a twelve-county region in Northwest Missouri; and

c) allow the Company to comply with MDNR's "Surface Water Treatment Rules," and other similar federal and state mandates.

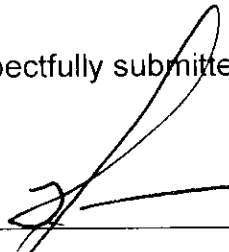
9. In order to move forward with these investments and to effectively participate in MDNR's planning process, Middle Fork must have some certainty that additional investments that it makes in its water system will be appropriately valued and properly treated for ratemaking purposes. At a minimum, therefore, the Company needs the Commission, as part of its valuation determination, to state whether it endorses Staff's characterization of a large portion of the Company's existing plant investment as contributions-in-aid-of-construction. Such a decision will enable the Company to determine whether the future investments it plans and needs to make will be financially viable.

10. Section 393.230, RSMo 2000, empowers the Commission to "ascertain the value of the property of every . . . water corporation . . . in this state and every fact which in its judgment may or does have any bearing on such value." In addition, under the statute "[t]he commission shall have power to make revaluations from time to time and to ascertain all new construction, extensions, and addition to the property of every . . . water corporation" To exercise this authority, the Commission may convene a formal investigation, with hearings, for the purpose of determining valuation. The statute also prescribes the procedures to be followed and identifies the types and sources of information that may be considered in any such investigation. Thus, the Commission is, authorized by law to make determinations as to: 1) the valuation of Middle Fork's

current investment devoted to the public service; 2) the principles that will govern the valuation of future investment; and 3) how plant investments will be treated for ratemaking purposes.

WHEREFORE, Middle Fork requests that the Commission institute an investigation to ascertain: 1) the value of the Company's current investment in plant devoted to the public service; 2) the standards and principles that will govern the valuation of future investments that the Company may make in plant betterments, improvements, additions, or extensions; and 3) how these investments will be characterized and treated by the Commission for ratemaking purposes.

Respectfully submitted,



W. R. England, III
L. Russell Mitten

MBN 23975
MBN 27881

BRYDON, SWEARENGEN & ENGLAND P.C.
312 E. Capitol Avenue
P. O. Box 456
Jefferson City, MO 65102
(573) 635-7166 voice
(573) 635-3847 facsimile
Email: rmitten@brydonlaw.com

ATTORNEYS FOR MIDDLE FORK WATER
COMPANY

VERIFICATION

STATE OF MISSOURI)
) SS
COUNTY OF NODAWAY)

Brock Pfost, being duly sworn on oath, deposes and says that he is President of Middle Fork Water Company, that he has read the foregoing Application and knows the contents thereof, and that the same are true and correct to the best of his knowledge and belief.

MIDDLE FORK WATER COMPANY

BY: *Brock Pfost*
Brock Pfost, President

Subscribed and sworn to before me, the undersigned Notary Public in and for the county and state aforesaid, on the 8th day of January, 2007.

Patricia Sherry
Notary Public

My Commission expires:

February 9, 2008

