BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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In the Matter of Rex Deffenderfer Enterprises, Inc. Request for a Increase in Annual Water System Operating Revenues

Case No. WR-2011-0056

STAFF'S RESPONSE TO THE OFFICE OF THE PUBLIC COUNSEL

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and submits its *Response to the Office of the Public Counsel*,

1. On January 28, 2011, Staff submitted its *Notice of Amended Company/Staff Partial Agreement Regarding Disposition of Small Water Company Revenue Increase Request* (Amended Partial Disposition Agreement). In the Amended Partial Disposition Agreement, Staff and Rex Deffenderfer Enterprises, Inc. (RDE or Company) identified payroll, payroll taxes, employee benefits and the effect of these items on income tax as issues that were unresolved and requested those issues be resolved through arbitration.

2. On February 3, 2011, Staff filed a *Request for Waiver* with the Commission.

3. On February 8, 2011, the Office of the Public Counsel (Public Counsel) filed its *Response to Amended Company/Staff Partial Agreement and Request for Local Public Hearing* and its *Response to Staff's Request for Waiver*. Public Counsel does not object to Staff's waiver request if this matter proceeds to arbitration. Additionally, Public Counsel states it will agree to arbitration if two additional issues – depreciation expense and reallocation of depreciation reserve - are included.

4. On February 9, 2011, the Commission ordered the Staff to file a response to Public Counsel's February 8 responses. This filing complies with that order.

5. Staff has no objection to adding Public Counsel's additional issues of

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depreciation expense and reallocation of depreciation reserve to the list of issues to be resolved in arbitration.

6. Staff also has no objection to a local public hearing in this matter.

WHEREFORE, Staff respectfully submits this *Response to the Office of the Public Counsel* to the Commission for its information and consideration, stating there is no objection to a local public hearing in this matter and no objection to additional issues being added to the list of issues submitted to arbitration.

Respectfully submitted,

/s/ Samuel D. Ritchie

Sam Ritchie Associate Counsel Missouri Bar No. 61167

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this Response has been provided, by firstclass mail, electronic mail, facsimile transmission or by hand-delivery, to each attorney and/or party of record for this case on this 14th day of February, 2011.

/s/ Samuel D. Ritchie