

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

In the matter of the Joint Application of)
AquaSource/RU Incorporated D/B/A Aqua)
Missouri, Inc. and LTA Water Company for)
Authority for AquaSource/RU Incorporated)
D/B/A Aqua Missouri, Inc. to Acquire)
Certain Assets of LTA Water Company)

Case No. WM-2005-0058

RESPONSE TO ORDER DIRECTING FILING

COME NOW AquaSource/RU Incorporated d/b/a Aqua Missouri, Inc. ("Aqua Missouri") and LTA Water Company ("LTA") (collectively referred to as "Joint Applicants") by and through their counsel, and for their Joint Application pursuant to Section 393.190, RSMo 2000,¹ and 4 CSR 240-3.605, state the following to the Missouri Public Service Commission ("Commission") as their Response To Order Directing Filing issued on December 14, 2004:

1. On September 3, 2004, Aqua Missouri and LTA filed their Joint Application seeking authority for Aqua Missouri to purchase the LTA water system. On December 3, 2004, the Staff of the Commission filed a recommendation advising the Commission to approve that application but recommending that the Commission impose certain conditions on its approval. By Order dated December 14, 2004, the Commission directed that the Joint Applicants, no later than December 22, 2004, file a response to the Staff Recommendation.

2. The Staff Recommendation indicated that it believed that the proposed acquisition should comply with certain conditions, and the Commission should issue an Order that:

¹All statutory references are to Revised Statutes of Missouri 2000, unless otherwise indicated.

"A. Authorizes the purchase of LTA's water supply and distribution assets by Aqua, as those assets are described in the asset purchase agreements.

B. States that the approval of the subject asset purchase is based on the condition that the acquisition premium resulting from the proposed transactions will not be recovered through customer rates in the future.

C. Grants a certificate to Aqua authorizing it to provide water supply and distribution service in LTA's service area effective upon the closing of the asset transfer transactions.

D. Directs Aqua to file the tariff sheets necessitated by the asset transfer, as discussed previously in the memorandum, with the proposed effective date of those sheets to coincide as closely as possible to the date of closing of the asset transfer transactions.

E. Directs Aqua to file a notice in this case advising the Commission as to when the closing of the asset transfer transactions took place.

F. Relieves LTA of the obligation to provide service and cancels LTA's certificate and tariff effective upon the closing of the asset transfer transactions.

G. Makes no finding that would bind the Commission or any other party to any ratemaking treatment of the actions related to approval of the joint application in any future proceeding, except as to item B above." (Staff Recommendation)

3. The Staff Recommendation, as stated above, is generally acceptable to the Joint Applicants, with one clarification. Attached to the Staff Recommendation was a Memorandum which included a calculation of an acquisition premium that was based upon certain information available to Staff. Aqua Missouri believes that it is premature to finally calculate an acquisition premium until all relevant information is available in Aqua Missouri's next rate case. Aqua Missouri respectfully requests that it be allowed to record the rate base value calculated by Staff

in the Memorandum attached to the Staff Recommendation on its books and records and use this rate base amount as the starting point for future capital additions. However, Aqua Missouri requests that it be allowed to present evidence in its next rate case as to the value of these assets for ratemaking treatment if the Company finds evidence of unrecorded assets not properly recorded on the books of LTA or other relevant information. Based upon conversations with Dale Johansen and Dana Eaves, Aqua Missouri believes that this approach will be acceptable to Staff.

WHEREFORE, Joint Applicants, having responded to the Order Directing Filing, respectfully request that the Commission issue its Order approving the transactions described herein, including:

- (a) Authorizing Aqua Missouri to acquire the assets identified herein of LTA;
- (b) Authorizing the transfer of the certificate of convenience and necessity granted to LTA in Case No. WA-81-235 (October 5, 1981) to Aqua Missouri, or in the alternative, granting a certificate of convenience and necessity for the area presently served by LTA;
- (c) Authorizing LTA to discontinue providing water services to its existing customers as of the date of transfer of the assets, and allow Aqua Missouri to commence providing water services to these customers as of the date of transfer of the assets;
- (d) Authorizing Aqua Missouri and LTA to enter into, execute and perform in accordance with the terms of the Agreement attached to this Joint Agreement and to take any and all other actions which may be reasonably necessary and incidental to the performance of the acquisition; and

(e) Granting such other relief as may be deemed necessary to accomplish the purpose of the Agreement and the Joint Application and to consummate related transactions in accordance with the Agreement.

Respectfully submitted,

/s/ James M. Fischer

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ATTORNEYS FOR
JOINT APPLICANTS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, by U.S. Mail, First Class, this 17th day of December 17, 2004, to:

Office of the Public Counsel
P.O. Box 2230
Jefferson City, MO 65102

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

/s/ James M. Fischer

James M. Fischer