

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

In the Matter of the Joint Application of )  
Silverleaf Resorts, Inc., and Algonquin )  
Water Resources of Missouri, LLC, for )  
Authority for Silverleaf Resorts, Inc., to )  
Sell Certain Assets to Algonquin Water )  
Resources of Missouri, LLC, and, in )  
Connection Therewith, Certain Other )  
Related Transactions. )

Case No. WO-2005-0206  
SO-2005-0207

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff), by and through Counsel, and for its Recommendation, states as follows:

1. On January 4, 2005, Silverleaf Resorts, Inc., (Silverleaf, or Seller) and Algonquin Water Resources of Missouri, LLC (Algonquin or Buyer) collectively, the Joint Applicants filed two Joint Applications requesting authority from the Commission for Silverleaf to sell all of its Missouri water system assets and sewer system assets to Algonquin.

2. The sale of water and sewer assets is governed generally by Section 393.190 RSMo 2000, 4 CSR 240-2.060 (1), 4 CSR-240-3.605 and 4 CSR 240-3.310. Relevant case law provides that the Commission may approve an asset transfer if it is “not detrimental to the public interest.” *State ex rel. Fee Fee Trunk Sewer Inc. v. Litz*, 596 S.W.2d 466, 468 (Mo. App. E.D. 1980). Additionally, in *State ex rel. Ag Processing, Inc. v. Pub. Serv. Comm’n*, 120 S.W.3d 732, 736 (Mo. banc 2003) the Court found, in the context of a merger case, that the issue of recoupment of an acquisition premium is a relevant and critical issue when ruling on a proposed

merger. In addition, the Court found that the Commission must determine whether an acquisition premium was reasonable, and whether, in the context of a cost analysis, the acquisition premium was detrimental to the public.

3. Staff has reviewed the applications for approval of the asset transfer and has summarized its review in a Memorandum, labeled Appendix A which is attached hereto and incorporated by reference.

4. In that Memorandum, due to the acquisition adjustment issue in this transaction, the Staff recommends that the Commission issue an Order that: (1) establishes a date for a settlement conference in this case; (2) directs the parties to participate in the settlement conference for the purpose of resolving as many of the acquisition premium issues identified by the Staff as is possible; and (3) directs the parties to advise the Commission, within 10 days after the conclusion of the settlement conference, whether an evidentiary hearing will be needed in this case.

**WHEREFORE**, the Staff respectfully requests that the Commission enter an Order that approves and implements the Staff's recommendations as listed just above.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

**/s/ Cliff Snodgrass**

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Cliff Snodgrass  
Senior Counsel  
Missouri Bar No. 52302

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-3966 (Telephone)  
(573) 751-9285 (Fax)  
cliff.snodgrass@psc.mo.gov

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 28th day of March, 2005.

**/s/ Cliff Snodgrass**