

**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, and,        )  
in Connection Therewith, Certain Other        )  
Related Transactions.                                )

**Case No. WO-2005-0206**

**STAFF'S STATEMENT OF POSITIONS**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its statement of positions, states the following:

**Statements of Position**

**Issue 1:** Is the proposed sale of Silverleaf's water and sewer utility assets to Algonquin "not detrimental to the public interest"?

**Staff Position:** The Staff believes the proposed sale will meet the standard of being "not detrimental to the public interest" if the Commission rules that Algonquin will not be allowed to recover any of the acquisition premium that exists, or if Algonquin agrees to forgo seeking the recovery of the acquisition premium that exists. Absent such a ruling or agreement, other matters must be addressed before this question can be answered positively. (The Staff's positions on the various issues underlying this case can be found in the prepared rebuttal testimony of Staff witness Dale Johansen, beginning at the bottom of page 4 and continuing through page 7 of that testimony.)

**Issue 2:** Must the Commission rule whether or not Algonquin can recover any acquisition premium that may exist as a result of *State ex rel AG Processing, Inc. v. Pub. Serv. Comm'n*, 120 S.W.3d 732 (Mo. Banc 2003)? If so, what standard must be applied?

**Staff Position:** Because the Staff raised issues regarding the existence, amount and possible recovery from ratepayers of an acquisition premium, the Staff believes the Commission must rule on this matter under the Missouri Supreme Court's holding in *AG Processing*. However, even absent the Supreme Court's holding in *AG Processing*, the Staff believes the Commission must address this issue in this case because of the magnitude of the acquisition premium that the Staff believes exists.

The standard for approval remains that which applies to this transaction as discussed in Issue 1 above.

**Issue 3:** If the Commission does not rule at this time that the acquisition premium will be excluded from rates in future rate case proceedings, must the Commission determine the amount of the acquisition premium that may exist in order to determine whether the transaction is detrimental to the public interest?

**Staff Position:** Yes. As noted above, the Staff believes the acquisition premium that exists is so large that the Commission must address not only this issue, but all of the acquisition-related issues that the Staff has raised. (Information regarding the "value" of the acquisition premium that the Staff believes exists in relation to the proposed asset sale can be found in Attachment DWJ – 2 to the prepared rebuttal testimony of Staff witness Dale Johansen.)

**Issue 4:** In order to decide if the transaction is detrimental to the public interest, must the Commission determine the maximum amount of acquisition premium that Algonquin may seek to recover in future rate proceedings?

**Staff Position:** Yes. Because of the magnitude of the acquisition premium that it has identified in this transaction, the Staff believes that it is necessary for the Commission to address all of the underlying acquisition-related issues that the Staff has raised.

**Issue 5:** If the Commission determines that some amount of the acquisition premium may be recoverable in rates, must the Commission rule on the issues raised by the Staff regarding the following matters?

Plant in Service

Contributions in Aid of Construction

Costs related to the Well No. 2 Project in Holiday Hills

Depreciation Reserves

**Staff Position:** Yes. As discussed above, it is the Staff's position that the Commission must issue a ruling in this case regarding all of the acquisition premium issues that it has raised. This requires that the Commission rule on the specific issues listed above. (Information regarding the Staff's position on the "value" of these issues can be found in Attachment DWJ – 2 of the prepared rebuttal testimony of Staff witness Dale Johansen. Further information regarding the Staff's position on these issues may also be found in the prepared rebuttal testimony of Staff witness Graham Vesely.)

WHEREFORE, in accordance with the Commission approved procedural schedule, the Staff submits its Statement of Positions as directed.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

**/s/ Robert S. Berlin**

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### **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 20th day of July 2005.

**/s/ Robert S. Berlin**

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