

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the matter of the tariff filing of Algonquin Water)	<u>Case No. WR-2006-0425</u>
Resources of Missouri, LLC to implement a general)	Tariff No. JW-2006-0847
rate increase for water and sewer service provided)	<u>Case No. SR-2006-0426</u>
to customers in its Missouri service areas.)	Tariff No. JS-2006-0848

SUSPENSION ORDER AND NOTICE

Issue Date: May 12, 2006

Effective Date: May 12, 2006

On May 5, 2006, Algonquin Water Resources of Missouri, LLC, submitted to the Commission a proposed tariff sheet intended to implement a general rate increase for water service and for sewer service provided to customers in its Missouri service area. The proposed tariff sheet bears a requested effective date of June 4, 2006. According to the Company, the proposed tariff sheet is designed to produce an annual water revenue increase of approximately \$584,390, and an annual sewer revenue increase of approximately \$309,272. Together with its proposed tariff sheet and other minimum filing requirements, the Company also filed prepared direct testimony in support of its requested rate increase.

In order to allow sufficient time to study the effect of the proposed tariff and to determine if it is just, reasonable, and in the public interest, the proposed tariff shall be suspended for a period of 120 days beyond the requested effective date. Furthermore, because a hearing on the proposed tariff cannot be concluded within the period of suspension above stated, the proposed tariff shall be suspended for an additional six months beyond the 120th day following the requested effective date.

Inasmuch as the Commission is required by law to give rate increase cases preference over all other questions pending before it and to decide such cases as quickly as possible, and since the burden of proof that the proposed rates are just and reasonable is upon the company proposing the rates, the Company shall file both its recommendation concerning the proper test year to be used in these proceedings and any request for a true-up no later than two weeks after the date of this order. Any true-up request must include a proposed date to which the Company's financial data is to be brought forward. The Commission has reserved dates for a true-up hearing. The Company's proposal should also specify a complete list of accounts or items of expense, revenues, and rate base designed to prevent any mismatch in those areas. The Commission will not consider a true-up of isolated adjustments, but will examine only a "package" of adjustments designed to maintain the proper revenue-expense-rate base match at a proper point in time. See *In re Kansas City Power & Light Company*, 26 Mo. P.S.C. (N.S.) 104, 110 (1983).

The Commission will schedule the hearing dates in this order. By establishing the hearing dates now, the Commission will ensure that this matter is heard as expeditiously as possible. Additionally, the early establishment of the hearing dates will allow ample time for notice to be sent to customers. Company shall give notice to customers as directed in the ordered paragraphs below. The Commission will also set an early prehearing conference and require the parties to file a proposed procedural schedule with additional filing dates for testimony, a second prehearing conference, local public hearings, the statement of issues and position papers of the parties, and the reconciliation. The Staff of the Missouri Public Service Commission shall have primary responsibility for

the proposed procedural schedule. Staff should coordinate the proposed schedule with Company, the Office of the Public Counsel, and any intervenors, where possible.

The Staff, the Public Counsel, and all intervenors shall state their positions regarding the Company's true-up and test year proposals as hereinafter ordered. The test year is the 12-month period used to audit a company's books to determine the proper amounts of rate base, expenses and revenues to use in calculating a revenue requirement for a company. A resolution of the test year issue must be made early in the proceedings so that the parties' testimony can be reconciled to the same period. The test year involves an audit of all books and records of a company so that a total revenue requirement can be calculated.

All test year proposals shall include a specific 12-month period as a test year and should include any additional period for which a party has updated significant items from the test year. The test year with the additional period will be called a "test year as updated," or "updated test year." In addition to a proposed test year or a proposed updated test year, a party may request isolated changes, such as those imposed by governmental bodies, as part of its case and the Commission will consider whether those isolated changes are known and measurable and whether they should be included in Company's revenue requirement. An issue to be considered in this determination is whether the proposed adjustment affects the matching of rate base, expenses, and revenue.

The Commission finds that proper persons should be allowed 20 days from the issuance of this order to file a motion for leave to intervene. The Commission's Data Center shall serve a copy of this order upon the county commission of each county in the Company's service area. In addition, the Commission's Public Information Office shall

make notice of this order available to the media serving Company's service area and to the members of the General Assembly representing the residents of the Company's service area.

The Commission will authorize Staff to file a complaint seeking a reduction in the Company's revenues if its audit reflects that the Company's earnings are excessive.

IT IS THEREFORE ORDERED THAT:

1. The proposed service tariff sheet submitted on May 5, 2006, by Algonquin Water Resources of Missouri, LLC, assigned both Tariff Nos. JW-2006-0847 and JS-2006-0848, is hereby suspended for a period of 120 days plus six months from June 4, 2006, to April 2, 2007. The specific sheet suspended is:

PSC MO. No. 2
2nd Revised Sheet No. 4, Canceling 1st Revised Sheet No. 4

2. Any proper person or entity desiring to intervene in this matter shall file an application no later than June 1, 2006, with:

Colleen M. Dale, Secretary
Missouri Public Service Commission
Post Office Box 360
Jefferson City, Missouri 65102

and send copies to:

Dean L. Cooper
Brydon, Swearngen & England, P.C.
312 East Capitol Avenue
Post Office Box 456
Jefferson City, Missouri 65102

and:

Office of the Public Counsel
Post Office Box 2230
Jefferson City, Missouri 65102

3. Algonquin Water Resources of Missouri, LLC, shall file, on or before May 22, 2006, a pleading stating its recommendation concerning the proper test year for use in this case.

4. Algonquin Water Resources of Missouri, LLC, shall file any request for a true-up audit and hearing in a separate pleading concurrent with its test year recommendation.

5. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any persons or entities requesting intervention shall file, on or before June 8, 2006, a pleading either indicating concurrence in Company's recommended test year or recommending alternatives to Company's recommended test year.

6. The Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and any intervenors shall file, on or before June 8, 2006, a pleading stating their recommendation concerning a true-up.

7. An early prehearing conference is hereby scheduled for this case on June 19, 2006, at 10:00 a.m. The early prehearing conference shall be held in Room 305 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in the prehearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the conference.

8. The parties shall file a proposed procedural schedule as described in this order on or before June 26, 2006. The Commission Staff shall have primary responsibility for preparing and filing the proposed procedural schedule.

9. The Commission shall conduct local public hearings on the proposed rate increase and shall set the times, dates and locations of these local public hearings in a subsequent order. The parties and intervenors, if any, shall file recommendations as to the dates and locations for local public hearings in this case on or before June 26, 2006.

10. An evidentiary hearing is hereby scheduled for this case as follows: January 8 through 12, 2007; January 16 through 19, 2007; and January 22 through 26, 2007. The hearing shall commence at 8:30 a.m. on January 8, 2007. The evidentiary hearing shall be held in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in the hearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

11. February 13 through 16, 2007, is reserved for a true-up hearing in this case, in the event that such a hearing is requested and the Commission grants the request. The true-up hearing shall be held in Room 310 of the Governor Office Building, 200 Madison Street, Jefferson City, Missouri. The Governor Office Building meets accessibility standards required by the Americans with Disabilities Act. If any person needs additional accommodations to participate in the hearing, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 prior to the hearing.

12. Algonquin Water Resources of Missouri, LLC, shall notify each affected customer of the local public hearings, the evidentiary hearing and any true-up hearing scheduled in this case, either by a notice on or accompanying a bill or by a separate notice,

at least 10 days, but not more than 45 days, prior to the first day of the hearing, unless otherwise ordered by the Commission.

13. The Data Center of the Missouri Public Service Commission shall serve a copy of this order upon the county commission of each county affected by the tariff filing as pled by Algonquin Water Resources of Missouri, LLC, and upon the mayor of any city not within a county affected by the tariff filing as pled by Algonquin Water Resources, LLC.

14. The Commission's Public Information Office shall make notice of this order available to the members of the General Assembly representing the residents of the service area affected by the tariff filing as pled by Algonquin Water Resources, LLC, and to the news media serving the residents of the counties affected by the tariff filing as pled by Algonquin Water Resources of Missouri, LLC.

15. The Staff of the Missouri Public Service Commission is hereby authorized to file a complaint seeking a reduction in the Company's revenues if its audit reflects that the Company's earnings are excessive. Any such complaint shall be filed in this case.

16. This order shall become effective on May 12, 2006.

(S E A L)

BY THE COMMISSION



Colleen M. Dale
Secretary

Ronald D. Pridgin, Regulatory Law Judge
by delegation of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 12th day of May, 2006.