

10/31/2006

Date: Exhibit No.:
Issues: Updated Test Year
Witness: Larry W. Loos
Exhibit Type: Direct
Sponsoring Party: Algonquin Water Resources of
Missouri, LLC
Case No.: WR-2006-0425

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WR-2006-0425

UPDATED DIRECT TESTIMONY

OF

LARRY W. LOOS

ON BEHALF OF

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC

JEFFERSON CITY, MISSOURI

FILED²

FEB 08 2007

Missouri Public
Service Commission

Algonquin Exhibit No. 2
Case No(s). WR-2006-0425
Date 1-22-07 Rptr KF

1 **Before the Missouri Public Service Commission**

2 **Cases Nos. WR-2006-0425**

3 **Updated Direct Testimony of Larry W. Loos**

4

5 **Q. Please state your name and business address.**

6 A. Larry W. Loos, 11401 Lamar, Overland Park, KS 66211.

7 **Q. Are you the same Larry W. Loos who filed direct testimony in this**
8 **proceeding on May 5, 2006?**

9 A. Yes, I am.

10 **Q. What is the purpose of your updated direct testimony?**

11 A. In its Order Establishing Procedural Schedule issued on July 5, 2006, the
12 Commission required Algonquin Water Resources of Missouri, LLC
13 ("Algonquin" or "Company") to update its revenue requirements to reflect the
14 test year updated for known and measurable items through September 30,
15 2006. The purpose of this testimony is to present updated schedules for
16 revenue requirements prepared under my supervision and direction on behalf
17 of Algonquin based on a test year ending September 30, 2006.

18 **Q. Have you prepared any schedules to support the updated test year?**

19 A. Yes, I have.

20 **Q. Please describe these schedules.**

21 A. The schedules attached to this testimony are updates to the following
22 schedules attached to my May 5, 2006 testimony:

- 1 • LWL-2 – Customers, Sales, and Sales Revenue
- 2 • LWL-3 - Proposed Adjustments to Book Balances
- 3 • LWL-4 – Cost of Capital
- 4 • LWL-5 – Proforma Adjustments
- 5 • LWL-S – Revenue Requirements – Sewer
- 6 • LWL-W – Revenue Requirements – Water

7 The schedules are in the same general format as the schedules submitted
8 with my May 5, 2006 testimony. Differences between these schedules and
9 my original schedules relate to implications of the September 30, 2006
10 update. I have identified each of these schedules as updated. I have
11 included with this testimony only those schedules affected by the update to
12 the test year.

13 **Q. As a result of the update in test year, does Algonquin propose a change**
14 **in the originally filed proposed rates?**

15 A. No, Algonquin's request for rate relief remains unchanged.

16 **Q. Are there any significant changes in the indicated revenue deficiency as**
17 **a result of the change in test year?**

18 A. No. Considering the magnitude of the required increases, the updated test
19 year does not represent a significant departure. The revenue deficiency set
20 forth in Schedules LWL-S and LWL-W for the original test year are 241% and
21 269% respectively. For the updated test year, the revenue deficiencies
22 amount to 293% and 329%, respectively.

1 **Q. How does the update to the test year affect the rates proposed by**
2 **Algonquin?**

3 A. As I previously indicated, Algonquin does not propose to change its filed rate
4 as a result of the higher revenue deficiencies indicated using the updated test
5 year. The rates proposed for water and sewer service have not changed.
6 However, based on the changes to rate base and the updated revenues and
7 expenses, the rate of return realized by Algonquin under the proposed rates
8 is significantly reduced. The rate of return under proposed rates for sewer
9 service falls to 6.46% based on use of the updated test year. Under the
10 proposed water rates the rate of return amounts to 7.24%.

11 **Q. Does this conclude your direct testimony regarding the updated test**
12 **year?**

13 A. Yes, it does

**Algonquin Water Resources of Missouri
Water Utility
Revenue Requirements
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-W)
Sheet 1 of 8

Line No.	[A] Description	[B] ³ Reference	[C] Amount \$
1	Rate Base	Sheet 2	2,973,977
2	Operating Income at Present Rates	Sheet 4	(161,592)
3	Earned Rate of Return	Ln 2 / Ln 1	-5.43%
4	Requested Rate of Return	Schedule____(LWL-4)	10.00%
5	Required Operating Income	Ln 1 * Ln 4	<u>297,453</u>
6	Operating Income Deficiency	Ln 5 - Ln 2	459,045
7	State Income Taxes at 6.25%	6.25% / (1 - 6.25%)	30,603
8	Federal Income Taxes at 35.00%	35.00% / (1 - 35.00%)	<u>247,178</u>
9	Revenue Deficiency	Ln 6 + Ln 7 + Ln 8	736,827
10	Adjusted Operating Revenues - Existing Rates	Sheet 4	<u>232,233</u>
11	Total Revenue Requirement	Ln 9 + Ln 10	969,060
12	Sales Revenues - Existing Rates	Sheet 5	224,106
13	Required Revenue Increase	Ln 9 / Ln 12	329%

**Algonquin Water Resources of Missouri
Water Utility
Rate Base
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-W)
Sheet 2 of 8

	[A]	[B]	[C]	[D]	[E]	[F]	[G]
Line No.	Description	Reference	Plant in Service \$	Proposed Book Adjustments \$	Adjusted Books \$	Pro Forma Adjustments \$	Pro Forma Plant in Service \$
1	Utility Plant in Service	Sheet 3	4,663,865	-	4,663,865	87,100	4,750,965
2	Accumulated Provision for Depreciation	Sheet 3	<u>(1,631,947)</u>	<u>-</u>	<u>(1,631,947)</u>	<u>(255,833)</u>	<u>(1,887,780)</u>
3	Net Plant in Service	Ln 1 + Ln 2	3,031,918	-	3,031,918	(168,733)	2,863,185
Other Rate Base Items							
4	Customer Advances (Credit)	Per Books					-
5	Contributions in Aid of Construction (Credit)	Per Books					-
6	Deferred Income Taxes (Credit)	Per Books					-
7	Cash Working Capital						-
8	Materials and Supplies	Per Books					-
9	Prepayments (year end balance)	Per Books			2,792		2,792
10	Unamortized Rate Case Expense				<u>85,590</u>	<u>22,410</u>	<u>108,000</u>
11	Total Other Rate Base Items				<u>88,382</u>	<u>22,410</u>	<u>110,792</u>
12	Total Rate Base				3,120,300	(146,323)	2,973,977

Reference

Column D: Schedule____(LWL-5)

Column F: Schedule____(LWL-5)

Algonquin Water Resources of Missouri
Water Utility
Utility Plant in Service
Twelve Months Ended September 30, 2006

UPDATED
Schedule (LWL-W)
Sheet 3 of 8

Line No.	Acct. No.	[A] Description	[B] Plant in Service \$	[C] Proposed Book Adjustments \$	[D] Adjusted Books \$	[E] Pro Forma Adjustments \$	[F] Pro Forma Plant in Service \$
		Water Plant					
1		Intangible Plant					
2		Water Plant - Master Plan				17,500	17,500
3		Source of Supply Plant					
4	304.2	Structures and Improvements	156,785		156,785		156,785
5	307	Wells	26,887		26,887		26,887
6	309	Supply Mains	5,537		5,537		5,537
7		Pumping Plant					
8	304.3	Structures and Improvements	141,992		141,992		141,992
9	311	Electric Pumping Equipment	470,858		470,858	12,000	482,858
10		Water Treatment Plant					
11	304.4	Structures and Improvements	61,002		61,002		61,002
12	320	Plant Water Treatment Equipment	838,011		838,011	9,000	847,011
13		Transmission and Distribution Plant					
14	304.5	Structures and Improvements	30,242		30,242		30,242
15	330	Distribution Reservoirs and Strandpipes	385,472		385,472		385,472
16	331	Transmission and Distribution Mains	2,176,968		2,176,968	34,000	2,210,968
17	333	Services	93,910		93,910	1,000	94,910
18	334	Water Meters	210,122		210,122	9,000	219,122
19	335	Hydrants	27,873	-	27,873	-	27,873
20		Subtotal	4,625,659	-	4,625,659	82,500	4,708,159
21		General Plant allocated to Water					
22	340.1	Office Furniture & Equipment	8,926		8,926		8,926
23	340.2	Computer Equipment	22,313		22,313		22,313
24	343	Tools, Shop, & Garage Equipment	2,463		2,463	4,600	7,063
25	346	Communication Equipment	3,527		3,527		3,527
26	347	Miscellaneous Equipment	978	-	978	-	978
27		Subtotal	38,207	-	38,207	4,600	42,807
28		Total Water Plant	4,663,865	-	4,663,865	87,100	4,750,965
29		Depreciation Reserve	(1,631,947)	-	(1,631,947)	(255,833)	(1,887,780)
30		Net Plant in Service	3,031,918	-	3,031,918	(168,733)	2,863,185

Reference:
Column F: Schedule (LWL-5)

Algonquin Water Resources of Missouri
Water Utility
Operating Income
Twelve Months Ended September 30, 2006

UPDATED
Schedule (LWL-W)
Sheet 4 of 8

Line No.	[A] Description	[B] Schedule Reference	[C] As Reported 12 Months Ended 9/30/2005 \$	[D] Adjustments \$	[E] Pro Forma Present Rates \$	[F] Rates Effective March 1, 2007		[H] Rates Effective March 1, 2008	
						Proposed Revenue Increase \$	Pro Forma Proposed Rates \$	Proposed Revenue Increase \$	Pro Forma Proposed Rates \$
1	Operating Revenues	Sheet 5	233,331	(1,098)	232,233	295,926	528,159	309,008	837,168
	Operating Revenue Deductions								
2	Operation and Maintenance	Sheet 6	213,294	104,440	317,734	-	317,734	-	317,734
3	Administrative	Sheet 6	36,663	-	36,663	-	36,663	-	36,663
4	Other Expenses	Sheet 6	8,712	-	8,712	-	8,712	-	8,712
5	Depreciation and Amortization	Sheet 6	1,155	144,886	146,041	-	146,041	-	146,041
6	Taxes Other Than Income Taxes	Sheet 6	21,697	-	21,697	-	21,697	-	21,697
7	Total Revenue Deductions		281,521	249,326	530,847	-	530,847	-	530,847
8	Utility Operating Income Before Income Taxes		(48,190)	(250,424)	(298,614)	295,926	(2,688)	309,008	306,321
	State and Federal Income Taxes								
9	Federal Income Tax	Sheet 7			(121,926)	99,272	(22,654)	103,661	81,007
10	State Income Tax	Sheet 7			(15,096)	12,291	(2,805)	12,834	10,029
11	Utility Operating Income				(161,592)	184,363	22,771	192,513	215,284
12	Rate Base	Sheet 2			2,973,977		2,973,977		2,973,977
13	Rate of Return	Ln 11 / Ln 12			-5.43%		0.77%		7.24%

**Algonquin Water Resources of Missouri
Water Utility
Pro Forma Revenues Under Present Rates
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-W)
Sheet 5 of 8

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line	Number of Bills			Sales			Revenues - Present Rates			
No.	Description	Per Books	Adjustments	Pro Forma	Per Books	Adjustments	Pro Forma	Per Books	Adjustments	Pro Forma
					'000 Gal	'000 Gal	'000 Gal	\$	\$	\$
	Customer Class									
1	Residential	7,676	-	7,676	31,878	-	31,878	128,864	(1,122)	127,741
2	Commercial	1,297	-	1,297	28,818	-	28,818	96,340	24	96,364
3	Irrigation	-	12	12	84,816	(9,816)	75,000	-	-	-
4	Subtotal	8,973	12	8,985	145,512	(9,816)	135,696	225,204	(1,098)	224,106
	Miscellaneous Revenues									
5	Penalties							1,852	-	1,852
6	Transfer Fees							3,900	-	3,900
7	Reconnect Fees							475	-	475
8	NSF Fees							100	-	100
9	Tap Fees							1,800	-	1,800
10	Total							233,331	(1,098)	232,233

Reference:

Line 3: Irrigation deliveries are currently metered but not billed

Column F: Schedule__(LWL-5)

Column I: Schedule__(LWL-5)

**Algonquin Water Resources of Missouri
Sewer Utility
Operating Expenses
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-W)
Sheet 6 of 8

	[A]	[B]	[C]	[D]
Line No.	Description	Per Books Test Year Expense \$	Pro Forma Adjustments \$	Pro Forma Present Rates \$
	Operations and Maintenance Expenses			
1	Contractual Services - AWS	74,939	104,440	179,380
2	Contractual Services - Other	69,975		69,975
3	Contractual Services - Testing	688		688
4	Chemicals	933		933
5	Materials and Supplies	5,401		5,401
6	Purchased Power	59,979		59,979
7	Rental of Equipment	959		959
8	Transportation Equipment	421	-	421
9	Total Water O&M Expenses	213,294	104,440	317,734
	Administrative and General Expenses			-
10	Contractual Services-AWS	28,842		28,842
11	Contractual Services-Legal	509		509
12	Contractual Services-Other	536		536
13	Bad Debt Expense	(13)		(13)
14	Bank Charges	233		233
15	Central Office - Accounting/Administration	3,596		3,596
16	Central Office - Information Technology	63		63
17	Materials and Supplies	424		424
18	Public Relations	70		70
19	Regulatory Commission Expense	1,133		1,133
20	Rental of Equipment	666		666
21	Telephone	404		404
22	Transportation Expenses	200		200
23	Total Water A&G Expenses	36,663	-	36,663
	Other Expenses			
24	Insurance-General Liability	7,513		7,513
25	Licences and Fees	1,199		1,199
26	Total Water Other Expenses	8,712	-	8,712
	Depreciation and Amortization			
27	Depreciation	1,155	117,886	119,041
28	Amortization (Rate Case Expense)	-	27,000	27,000
29	Total Depreciation & Amortization	1,155	144,886	146,041
	Taxes Other Than Income Taxes			
30	Property Taxes	21,697		21,697
31	Payroll Taxes	-		-
32	Other General Taxes	-	-	-
33	Total Taxes Other Than Income Taxes	21,697	-	21,697
34	Total Operating Expenses	281,521	249,326	530,847

Reference:

Column C: Schedule____(LWL-5)

**Algonquin Water Resources of Missouri
Water Utility
Income Taxes
Twelve Months Ended September 30, 2006**

UPDATED
Schedule (LWL-W)
Sheet 7 of 8

Line No.	[A] Description	[B] Reference	[C] Pro Forma At Present Rates \$	[D] Rates Effective March 1, 2007		[F] Rates Effective March 1, 2008		[G] Pro Forma At Proposed Rates
				Proposed Rate Increase	Pro Forma At Proposed Rates \$	Proposed Rate Increase	Pro Forma At Proposed Rates	
1	Utility Operating Income Before Income Taxes	Sheet 4	(298,614)	295,926	(2,688)	309,008	306,321	
2	Interest Expense Deduction							
3	Rate Base	Sheet 2	2,973,977		2,973,977		2,973,977	
4	Weighted Cost of Debt	Schedule (LWL-4)	2.18%		2.18%		2.18%	
5	Interest Expense	Ln 3 x Ln 4	64,842	-	64,842	-	64,842	
6	Taxable Income	Ln 1 - Ln 5	(363,456)	295,926	(67,530)	309,008	241,479	
	Addback (Deducts):							
7	Tax over Book Depreciation		-	-	-	-	-	
8	Non-deductible Meals		-	-	-	-	-	
9	Amortization Preferred Stock Expense		-	-	-	-	-	
10	Non-deductible Reserve Deficiency		-	-	-	-	-	
11	Total Addbacks (Deducts)		-	-	-	-	-	
12	Adjusted Gross Income		(363,456)	295,926	(67,530)	309,008	241,479	
13	Federal Income Tax @ 35.00%		(121,926)		(22,654)		81,007	
14	State Income Tax @ 6.25%		(15,096)		(2,805)		10,029	
15	Total Income Taxes		(137,022)		(25,459)		91,037	

Reference:

Ln 13 = Ln 12 * .35 * (1 - .0625) / (1 - .0625 * .35)

Ln 14 = .0625 * (Ln 12 - Ln 13)

Column D: Sheet 8, Column H, Line 16

Algonquin Water Resources of Missouri
Water Utility
Calculation of Sales Revenues Under Existing and Proposed Rates
Twelve Months Ended September 30, 2006

UPDATED
Schedule (LWL-W)
Sheet 8 of 8

Line No.	Meter Size/Class	Bills	Sales '000 Gal	Existing Rates		Proposed Rates - Effective March 1, 2007				Proposed Rates - Effective March 1, 2008			
				Current Rate \$/	Revenue \$	Proposed Rate \$/	Revenue \$	Increase		Proposed Rate \$/	Revenue \$	Increase	
								Amount \$	Percentage %			Amount \$	Percentage %
Number of Bills													
1	Residential												
2	3/4"	7,025		3.00	21,075	4.50	31,613	10,538	50.00%	6.00	42,150	10,538	33.33%
3	1"	2		5.00	10	7.50	15	5	50.00%	10.00	20	5	33.33%
4	2"	649		16.00	10,384	24.00	15,576	5,192	50.00%	32.00	20,768	5,192	33.33%
5	Commercial												
6	3/4"	732		3.00	2,196	4.50	3,294	1,098	50.00%	6.00	4,392	1,098	33.33%
7	1"	210		5.00	1,050	7.50	1,575	525	50.00%	10.00	2,100	525	33.33%
8	2"	343		16.00	5,488	24.00	8,232	2,744	50.00%	32.00	10,976	2,744	33.33%
9	4"	12		50.00	600	75.00	900	300	50.00%	100.00	1,200	300	33.33%
10	Irrigation												
11	4"	12		-	-	75.00	900	900	NMF	100.00	1,200	300	33.33%
12	Sales												
13	Residential		31,878	3.02	96,272	6.00	191,270	94,997	98.68%	10.75	342,692	151,422	79.17%
14	Commercial		28,818	3.02	87,030	6.00	172,907	85,877	98.68%	10.75	309,792	136,885	79.17%
15	Irrigation		75,000	-	-	1.25	93,750	93,750	NMF	1.25	93,750	-	0.00%
16	Total	8,985	135,696		224,106		520,032	295,926	132.05%		829,040	309,008	59.42%
17	Recap												
18	Residential	7,676	31,878		127,741		238,473	110,732	86.68%		405,630	167,156	70.09%
19	Commercial	1,297	28,818		96,364		186,908	90,544	93.96%		328,460	141,552	75.73%
20	Subtotal	8,973	60,696		224,106		425,382	201,276	89.81%		734,090	308,708	
21	Irrigation	12	75,000		-		94,650	94,650	NMF		94,950	300	0.32%
22	Total	8,985	135,696		224,106		520,032	295,926	132.05%		829,040	309,008	59.42%

**Algonquin Water Resources of Missouri
Sewer Utility
Revenue Requirements
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-S)
Sheet 1 of 8

Line No.	[A] Description	[B] Reference	[C] Amount \$
1	Rate Base	Sheet 2	1,121,977
2	Operating Income at Present Rates	Sheet 4	(97,445)
3	Earned Rate of Return	Ln 2 / Ln 1	-8.69%
4	Requested Rate of Return	Schedule____(LWL-4)	10.00%
5	Required Operating Income	Ln 1 * Ln 4	<u>112,219</u>
6	Operating Income Deficiency	Ln 5 - Ln 2	209,663
7	State Income Taxes at 6.25%	6.25% / (1 - 6.25%)	13,978
8	Federal Income Taxes at 35.00%	35.00% / (1 - 35.00%)	<u>112,896</u>
9	Revenue Deficiency	Ln 6 + Ln 7 + Ln 8	336,536
10	Adjusted Operating Revenues - Existing Rates	Sheet 4	<u>114,970</u>
11	Total Revenue Requirement	Ln 9 + Ln 10	451,506
12	Sales Revenues - Existing Rates	Sheet 5	114,970
13	Required Revenue Increase	Ln 9 / Ln 12	293%

**Algonquin Water Resources of Missouri
Sewer Utility
Rate Base
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-S)
Sheet 2 of 8

Line No.	[A] Description	[B] Reference	[C] Plant in Service \$	[D] Proposed Book Adjustments \$	[E] Adjusted Books \$	[F] Pro Forma Adjustments \$	[G] Pro Forma Plant in Service \$
1	Utility Plant in Service	Sheet 3	1,990,622	-	1,990,622	91,100	2,081,722
2	Accumulated Provision for Depreciation	Sheet 3	<u>(880,394)</u>	-	<u>(880,394)</u>	<u>(153,678)</u>	<u>(1,034,072)</u>
3	Net Plant in Service	Ln 1 + Ln 2	1,110,228	-	1,110,228	(62,578)	1,047,650
Other Rate Base Items							
4	Customer Advances (Credit)	Per Books			-	-	-
5	Contributions in Aid of Construction (Credit)	Per Books			-	-	-
6	Deferred Income Taxes (Credit)	Per Books			-	-	-
7	Cash Working Capital				-	-	-
8	Materials and Supplies	Per Books			-	-	-
9	Prepayments (year end balance)	Per Books			2,327	-	2,327
10	Unamortized Rate Case Expense				<u>46,268</u>	<u>25,732</u>	<u>72,000</u>
11	Total Other Rate Base Items				<u>48,595</u>	<u>25,732</u>	<u>74,327</u>
12	Total Rate Base				1,158,823	(36,846)	1,121,977

Reference

Column D: Schedule____(LWL-5)

Column F: Schedule____(LWL-5)

Algonquin Water Resources of Missouri
Sewer Utility
Utility Plant in Service
Twelve Months Ended September 30, 2006

UPDATED
Schedule (LWL-S)
Sheet 3 of 8

	[A]	[B]	[C]	[D]	[E]	[F]	[G]
Line No.	Acct. No.	Description	Plant in Service \$	Proposed Book Adjustments \$	Adjusted Books \$	Pro Forma Adjustments \$	Pro Forma Plant in Service \$
		Sewer Utility					
1		Intangible Plant					
2	351.1	Sewer Plant - Organization	393		393		393
3	351.2	Sewer System Dev - Engineering	47,365		47,365		47,365
4	351.3	Sewer Plant - Master Plan				7,500	7,500
5		Collection Plant					
6	354.3	Structures and Improvements	366,314		366,314		366,314
7	360	Collection Sewers - Force	6,000		6,000		6,000
8	361	Collection Sewers - Gravity	537,639		537,639	8,000	545,639
9	363	Services to Customers	9,892		9,892	1,000	10,892
10	364	Flow Measuring Devices	2,909		2,909		2,909
11		Pumping Plant					
12	370	Receiving Wells	90,677		90,677		90,677
13	371	Pumping Equipment	42,733		42,733	13,000	55,733
14		Treatment and Disposal Plant					
15	380	Treatment and Disposal Equipment	849,773		849,773	60,000	909,773
16	381	Plant Sewers	10,340		10,340		10,340
17	389	Other Equipment	2,971	-	2,971	-	2,971
18		Subtotal	1,967,006	-	1,967,006	89,500	2,056,506
19		General Plant Allocated to Sewer					
20	340.1	Office Furn & Equipment	5,517		5,517		5,517
21	340.2	Computer Equipment & Software	13,792		13,792		13,792
22	343	Tools, Shop, & Garage Equipment	1,522		1,522	1,600	3,122
23	346	Communication Equipment	2,180		2,180		2,180
24	347	Other General Equipment Water	605	-	605	-	605
25		Subtotal	23,616	-	23,616	1,600	25,216
26		Total Sewer Plant	1,990,622	-	1,990,622	91,100	2,081,722
27		Depreciation Reserve	(880,394)	-	(880,394)	(153,678)	(1,034,072)
28		Net Plant in Service	1,110,228	-	1,110,228	(62,578)	1,047,650

Reference:
Column F: Schedule (LWL-5)

Algonquin Water Resources of Missouri
Sewer Utility
Operating Income
Twelve Months Ended September 30, 2005

UPDATED
Schedule (LWL-S)
Sheet 4 of 8

Line No.	[A] Description	[B] Schedule Reference	[C]	[D]	[E]	[F]	[G]	[H]	[I]
			As Reported 12 Months Ended 9/30/2006	Adjustments	Pro Forma Present Rates	Rates Effective March 1, 2007		Rates Effective March 1, 2008	
			\$	\$	\$	Proposed Revenue Increase	Pro Forma Proposed Rates	Proposed Revenue Increase	Pro Forma Proposed Rates
						\$	\$	\$	\$
1	Operating Revenues	Sheet 5	104,771	10,199	114,970	101,330	216,300	171,339	387,639
	Operating Revenue Deductions								
2	Operation and Maintenance	Sheet 6	122,018	35,442	157,459	-	157,459	-	157,459
3	Administrative	Sheet 6	22,658	-	22,658	-	22,658	-	22,658
4	Other Expenses	Sheet 6	8,787	-	8,787	-	8,787	-	8,787
5	Depreciation and Amortization	Sheet 6	216	88,016	88,232	-	88,232	-	88,232
6	Taxes Other Than Income Taxes	Sheet 6	9,047	-	9,047	-	9,047	-	9,047
7	Total Revenue Deductions		<u>162,726</u>	<u>123,457</u>	<u>286,184</u>	-	<u>286,184</u>	-	<u>286,184</u>
8	Utility Operating Income Before Income Taxes		(57,955)	(113,259)	(171,214)	101,330	(69,884)	171,339	101,456
	State and Federal Income Taxes								
9	Federal Income Tax	Sheet 7			(65,642)	33,993	(31,650)	57,478	25,828
10	State Income Tax	Sheet 7			<u>(8,127)</u>	<u>4,209</u>	<u>(3,919)</u>	<u>7,116</u>	<u>3,198</u>
11	Utility Operating Income				(97,445)	63,129	(34,315)	106,745	72,430
12	Rate Base	Sheet 2			1,121,977		1,121,977		1,121,977
13	Rate of Return	Ln 11 / Ln 12			-8.69%		-3.06%		6.46%

**Algonquin Water Resources of Missouri
Sewer Utility
Pro Forma Revenues Under Present Rates
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-S)
Sheet 5 of 8

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line	Number of Bills			Sales			Revenues - Present Rates			
No.	Description	Per Books	Adjustments	Pro Forma	Per Books	Adjustments	Pro Forma	Per Books	Adjustments	Pro Forma
					'000 Gal	'000 Gal	'000 Gal	\$	\$	\$
	Customer Class									
1	Residential	2,856	-	2,856	9,397	-	9,397	90,423	1,929	92,352
2	Commercial	182	-	182	2,632	-	2,632	14,348	8,269	22,618
3	Subtotal	3,038	-	3,038	12,029	-	12,029	104,771	10,199	114,970
	Miscellaneous Revenues									
4	Penalties							-	-	-
5	Transfer Fees							-	-	-
6	Reconnect Fees							-	-	-
7	Tap Fees							-	-	-
8	Other							-	-	-
9	Total							104,771	10,199	114,970

Reference:

**Algonquin Water Resources of Missouri
Sewer Utility
Operating Expenses
Twelve Months Ended September 30, 2006**

UPDATED
Schedule____(LWL-S)
Sheet 6 of 8

[A]		[B]	[C]	[D]
Line No.	Description	Test Year Expense	Adjustments	Pro Forma Present Rates
		\$	\$	\$
	Operations and Maintenance Expenses			
1	Contractual Services - AWS	25,299	35,442	60,740
2	Contractual Services - Other	62,124		62,124
3	Chemicals	10,731		10,731
4	Materials and Supplies	3,866		3,866
5	Purchased Power	15,574		15,574
6	Rental of Equipment	249		249
7	Sludge Removal Expense	3,765		3,765
8	Transportation Equipment	412	-	412
9	• Total Sewer O&M Expenses	122,018	35,442	157,459
	Administrative and General Expenses			-
10	Contractual Services-AWS	9,515		9,515
11	Contractual Services-Legal	133		133
12	Contractual Services-Other	585		585
13	Central Office - Accounting/Administration	1,605		1,605
14	Central Office - Information Technology	-		-
15	Regulatory Commission Expense	10,694		10,694
16	Rental of Equipment	59		59
17	Transportation Expenses	67		67
18	Total Sewer A&G Expenses	22,658	-	22,658
	Other Expenses			
19	Insurance-General Liability	2,275		2,275
20	Licences and Fees	6,512		6,512
21	Total Water Other Expenses	8,787	-	8,787
	Depreciation and Amortization			
22	Depreciation	216	70,016	70,232
23	Amortization (Rate Case Expense)	-	18,000	18,000
24	Total Depreciation & Amortization	216	88,016	88,232
	Taxes Other Than Income Taxes			
25	Property Taxes	9,047		9,047
26	Payroll Taxes	-		-
27	Other General Taxes	-	-	-
28	Total Taxes Other Than Income Taxes	9,047	-	9,047
29	Total Operating Expenses	162,726	123,457	286,184

Reference:
Column C: Schedule____(LWL-5)

**Algonquin Water Resources of Missouri
Sewer Utility
Income Taxes
Twelve Months Ended September 30, 2006**

UPDATED
Schedule (LWL-S)
Sheet 7 of 8

Line No.	[A] Description	[B] Reference	[C] Pro Forma At Present Rates \$	[D] Rates Effective March 1, 2007 Proposed Rate Increase		[E] Pro Forma At Proposed Rates \$		[F] Rates Effective March 1, 2008 Proposed Rate Increase		[G] Pro Forma At Proposed Rates	
1	Utility Operating Income Before Income Taxes	Sheet 4	(171,214)	101,330		(69,884)		171,339		101,456	
2	Interest Expense Deduction										
3	Rate Base	Sheet 2	1,121,977			1,121,977				1,121,977	
4	Weighted Cost of Debt	Schedule (LWL-4)	2.18%			2.18%				2.18%	
5	Interest Expense	Ln 3 x Ln 4	24,463			24,463				24,463	
6	Taxable Income	Ln 1 - Ln 5	(195,677)	101,330		(94,346)		171,339		76,993	
	Addback (Deducts):										
7	Tax over Book Depreciation		-	-		-		-		-	
8	Non-deductible Meals		-	-		-		-		-	
9	Amortization Preferred Stock Expense		-	-		-		-		-	
10	Non-deductible Reserve Deficiency		-	-		-		-		-	
11	Total Addbacks (Deducts)		-	-		-		-		-	
12	Adjusted Gross Income		(195,677)	101,330		(94,346)		171,339		76,993	
13	Federal Income Tax @ 35.00%		(65,642)			(31,650)				25,828	
14	State Income Tax @ 6.25%		(8,127)			(3,919)				3,198	
15	Total Income Taxes		(73,769)			(35,568)				29,026	

Reference:

Ln 13 = Ln 12 * .35 * (1 - .0625) / (1 - .0625 * .35)

Ln 14 = .0625 * (Ln 12 - Ln 13)

Column D: Sheet 8, Column H, Line 15

Column F: Sheet 8, Column M, Line 15

**Algonquin Water Resources of Missouri
Sewer Utility
Calculation of Sales Revenues Under Existing and Proposed Rates
Twelve Months Ended September 30, 2006**

UPDATED
Schedule (LWL-S)
Sheet 8 of 8

Line No.	[A] Meter Size/Class	[B] Bills	[C] Sales '000 Gal	[D] Existing Rates		[F] Proposed Rates - Effective March 1, 2007				[J] Proposed Rates - Effective March 1, 2008			
				Current Rate	Revenue	Proposed Rate	Revenue	Increase		Proposed Rate	Revenue	Increase	
				\$ /	\$	\$ /	\$	\$	%	\$ /	\$	\$	%
Number of Bills													
1	Residential												
2	3/4"	2,699		6.00	16,194	9.00	24,291	8,097	50.00%	12.00	32,388	8,097	33.33%
3	2"	157		32.00	5,024	48.00	7,536	2,512	50.00%	64.00	10,048	2,512	33.33%
4	Commercial												
5	3/4"	90		6.00	540	9.00	810	270	50.00%	12.00	1,080	270	33.33%
6	1"	36		10.00	360	15.00	540	180	50.00%	20.00	720	180	33.33%
7	2"	56		32.00	1,792	48.00	2,688	896	50.00%	64.00	3,584	896	33.33%
8	Sales												
9	Residential		9,397	7.57	71,134	15.00	140,952	69,818	98.15%	28.25	265,460	124,508	88.33%
10	Commercial		2,632	7.57	19,926	15.00	39,483	19,557	98.15%	28.25	74,360	34,877	88.33%
11	Total	3,038	12,029		114,970		216,300	101,330	88.14%		387,639	171,339	79.21%
12	Recap												
13	Residential	2,856	9,397		92,352		172,779	80,427	87.09%		307,896	135,117	78.20%
14	Commercial	182	2,632		22,618		43,521	20,903	92.42%		79,744	36,223	83.23%
15	Total	3,038	12,029		114,970		216,300	101,330	88.14%		387,639	171,339	79.21%

Algonquin Water Resources of Missouri, LLC
Customers, Sales, and Revenues
Twelve Months Ended September 2006

UPDATED
Schedule (LWL-2)
Sheet 1 of 1

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
Line No.	Description	Holiday Hills			Ozark Mountain			Timber Creek			Total		
		Bills	Gallons	Revenue	Bills	Gallons	Revenue	Bills	Gallons	Revenue	Bills	Gallons	Revenue
WATER													
Residential													
1	3/4"	4,326	11,758,900	50,334	2,627	5,371,200	24,091	72	147,000	555	7,025	17,277,100	74,980
2	1"	2	39,300	179	-	-	-	-	-	-	2	39,300	179
3	2"	492	10,682,500	39,900	37	804,600	3,036	120	3,074,800	10,801	649	14,561,900	53,737
4		4,820	22,480,700	90,413	2,664	6,175,800	27,127	192	3,221,800	11,356	7,676	31,878,300	128,896
Commercial													
5	3/4"	444	5,946,000	19,609	264	1,749,100	6,074	24	248,600	824	732	7,943,700	26,507
6	1"	172	7,697,800	24,117	14	467,700	1,482	24	632,200	2,031	210	8,797,700	27,631
7	2"	235	5,939,100	21,543	36	2,265,400	7,418	72	2,108,500	7,539	343	10,313,000	36,500
8	4"	12	1,763,500	5,926	-	-	-	-	-	-	12	1,763,500	5,926
9		863	21,346,400	71,195	314	4,482,200	14,974	120	2,989,300	10,394	1,297	28,817,900	96,563
Irrigation													
10	4"	12	84,815,850	-	-	-	-	-	-	-	12	84,815,850	-
11	Total Water	5,695	128,642,950	161,608	2,978	10,658,000	42,101	312	6,211,100	21,750	8,985	145,512,050	225,459
SEWER													
Residential													
13	3/4"	-	-	-	2,627	5,370,400	56,482	72	147,000	1,552	2,699	5,517,400	58,034
14	1"	-	-	-	-	-	-	-	-	-	-	-	-
15	2"	-	-	-	37	804,600	7,322	120	3,074,800	21,463	157	3,879,400	28,785
16		-	-	-	2,664	6,175,000	63,804	192	3,221,800	23,015	2,856	9,396,800	86,819
Commercial													
17	3/4"	-	-	-	66	557,100	4,422	24	248,600	2,028	90	805,700	6,450
18	1"	-	-	-	12	193,400	1,058	24	360,500	2,851	36	553,900	3,909
19	2"	-	-	-	20	672,200	3,271	36	600,400	5,716	56	1,272,600	8,988
20	4"	-	-	-	-	-	-	-	-	-	-	-	-
21		-	-	-	98	1,422,700	8,751	84	1,209,500	10,596	182	2,632,200	19,347
22	Total Sewer	-	-	-	2,762	7,597,700	72,556	276	4,431,300	33,610	3,038	12,029,000	106,166
23	Total Water & Sewer	-	-	-	5,740	18,255,700	114,657	588	10,642,400	55,361	12,023	157,541,050	331,625

Note: Silverleaf has not been billed for irrigation (untreated water) service. Algonquin is proposing one applicable to this service.

Totals shown in detailed billings (see Sheet 8 of Schedule (LWL-W) and Schedule (LWL-S))

	Water	Sewer
Number of Bills	8,985	3,038
Sales - volume	135,696,000	12,029,000
Revenue - \$	224,106	114,970

**Algonquin Water Resources of Missouri
Adjustements to Original Book Balances
As of September 30, 2006**

UPDATED
Schedule (LWL-3)
Sheet 1 of 2

Line No.	[A] Description	[B] [C] [D] Water Utility			[E] [F] [G] [H] [I] Sewer Utility					[J] General Plant	[K] Total
		Ozark Mountain	Holiday Hills	Timber Creek	Total	Ozark Mountain	Holiday Hills	Timber Creek	Total	Total	Total Algonquin
1	Mains Installed - Feet										
2	Installed Before January 1, 1993	5,355	7,675	-	13,030	7,715	-	-	7,715		20,745
3	Installed After December 31, 1992	4,075	29,161	-	33,236	6,165	-	-	6,165		39,401
4	Total	9,430	36,836	-	46,266	13,880	-	-	13,880		60,146
5	Plant in Service - \$										
6	Reported as of September 30, 2005										
7	Installed Before January 1, 1993	-	-	-	-	-	-	-	-		-
8	Installed After December 31, 1992	219,190	2,035,309	922,818	3,177,316	329,280	238,072	890,342	1,457,694		4,635,010
9	Total	219,190	2,035,309	922,818	3,177,316	329,280	238,072	890,342	1,457,694		4,635,010
10	Proposed Adjustments to September 30, 2005 Balances										
11	Cost of Facilities Installed Before January 1, 1993										
12	Distribution and Collection	233,286	321,874	-	555,160	174,266	-	-	174,266		729,427
13	Source of Supply and Treatment	308,982	420,951	-	729,934	454,672	-	-	454,672		1,184,606
14	Eliminate Sewer Investment	-	-	-	-	-	(238,072)	-	(238,072)		(238,072)
15	Total	542,268	742,825	-	1,285,094	628,938	(238,072)	-	390,866		1,675,960
16	As Adjusted										
17	Installed Before January 1, 1993	542,268	742,825	-	1,285,094	628,938	-	-	628,938		1,914,032
18	Installed After December 31, 1992	215,214	1,989,522	922,818	3,127,554	326,911	-	890,342	1,217,253	52,130	4,396,938
19	Total as of 8/15/05 and 9/30/05	757,483	2,732,347	922,818	4,412,648	955,850	-	890,342	1,846,192	52,130	6,310,970
20	Indicated Reserve as of 8/15/05 (preliminary)				1,309,182				872,139	20,930	2,202,252
21	Net Plant as of 8/15/05 (preliminary)				3,103,466				974,053	31,200	4,108,719
22	Adjustment to 8/15/05 Net Plant to limit to \$3.8 million				(308,719)				-	-	(308,719)
23	As Adjusted				2,794,747				974,053	31,200	3,800,000
24	Gross Plant as of 9/30/05				4,412,648				1,846,192	52,130	6,310,970
25	Additions 10/1/05 - 9/30/06 (per books)	90,533	119,072	3,406	213,011	74,801	-	46,013	120,814	9,693	343,517
26	Gross Plant as of 9/30/06				4,625,659				1,967,006	61,823	6,654,487
27	Depreciation Reserve as of 9/30/05				1,617,901				872,139	20,930	2,510,970
28	Change in Reserve 10/1/05 - 9/30/06 (per books)				1,028				207	136	1,371
29	Depreciation Reserve as of 9/30/06				1,618,928				872,346	21,067	2,512,341
30	Net Plant as of 9/30/06				3,006,730				1,094,660	40,756	4,142,146

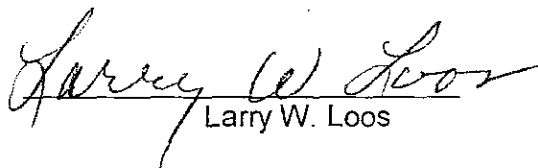
**Algonquin Water Resources of Missouri
Depreciation Expense Rates**

UPDATED
Schedule (LWL-3)
Sheet 2 of 2

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
			Proposed by Staff In Case No. WO-2005-0206			Proposed by Algonquin		
Line No.	Description	Average Dollar Age	Depreciation Expense Rate	Indicated Service Life	Reserve Ratio	Depreciation Expense Rate	Indicated Service Life	Reserve Ratio
		years		years			years	
	Water Utility							
1	Intangible Plant							
2	Sources of Supply Plant							
3	Water System Dev - Struct & Improv	7.89	2.0%	50.00	15.8%	2.0%	50.00	15.8%
4	Wells	0.50				2.0%	50.00	1.0%
5	Water/Sewer Line Supply	11.01	2.0%	50.00	22.0%	2.0%	50.00	22.0%
6	Pumping Plant							
7	Well Pump - Struct & Improv	7.84	2.5%	40.00	19.6%	2.5%	40.00	19.6%
8	Well Pump - Elect Pump Equipment	10.10	10.0%	10.00	101.0%	5.0%	20.00	50.5%
9	Treatment Plant							
10	Treatment Plant - Struct & Improv	3.10	2.5%	40.00	7.7%	2.5%	40.00	7.7%
11	Plant Water Treatment Equipment	14.98	2.9%	34.48	43.4%	2.9%	34.48	43.4%
12	Transmission and Distribution Plant							
13	T&D Plant - Struct & Improv	7.23	2.5%	40.00	18.1%	2.5%	40.00	18.1%
14	Distribution Reservoirs and Strandpipes	14.40	2.5%	40.00	36.0%	2.5%	40.00	36.0%
15	Transmission and Distribution Mains	12.50	2.0%	50.00	25.0%	2.0%	50.00	25.0%
16	Services	9.57	2.5%	40.00	23.9%	2.5%	40.00	23.9%
17	Water Meters	8.65	3.3%	30.30	28.5%	3.3%	30.30	28.5%
18	Hydrants	8.61	2.0%	50.00	17.2%	2.0%	50.00	17.2%
19	Computer Equipment & Software	9.42	14.3%	6.99	134.7%	5.5%	18.18	51.8%
20	Office Furn & Equipment	12.26	5.0%	20.00	61.3%	2.5%	40.00	30.7%
21	Tools Shop & Garage Equipment	0.50				5.0%	20.00	2.5%
22	Communication Equipment	0.50				5.0%	20.00	2.5%
23	Other General Equipment Water	5.96	6.7%	14.93	39.9%	6.7%	14.93	39.9%
	Sewer Utility							
24	Collection Plant							
25	Sewer System Dev - Struct & Improv	7.17	2.5%	40.00	17.9%	2.5%	40.00	17.9%
26	Collection Sewers - Force	0.50				2.0%	50.00	1.0%
27	Collection Sewers - Gravity	10.76	2.0%	50.00	21.5%	2.0%	50.00	21.5%
28	Services to Customers	12.22	2.0%	50.00	24.4%	2.0%	50.00	24.4%
29	Flow Measuring Devices	0.50				2.0%	50.00	1.0%
30	Pumping Plant							
31	Receiving Wells	16.14	4.0%	25.00	64.6%	3.3%	30.30	53.3%
32	Pumping Equipment	5.39	10.0%	10.00	53.9%	5.0%	20.00	27.0%
33	Treatment and Disposal Plant							
34	Treatment and Disposal Equipment	16.05	5.0%	20.00	80.2%	2.5%	40.00	40.1%
35	Plant Sewers	8.25	2.5%	40.00	20.6%	2.5%	40.00	20.6%
36	Other Equipment	8.25	2.0%	50.00	16.5%	2.0%	50.00	16.5%
37	Computer Equipment & Software	9.42	14.3%	6.99	134.7%	5.5%	18.18	51.8%
38	Office Furn & Equipment	12.26	5.0%	20.00	61.3%	2.5%	40.00	30.7%
39	Tools Shop & Garage Equipment	0.50				5.0%	20.00	2.5%
40	Communication Equipment	0.50				5.0%	20.00	2.5%
41	Sewer Plant - Organization	8.25	10.0%	10.00	82.5%	5.0%	20.00	41.3%
42	Sewer System Dev - Engineering	10.05	10.0%	10.00	100.5%	5.0%	20.00	50.3%

AFFADAVIT OF L. W. LOOS

L. W. Loos, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Updated Direct Testimony of Larry W. Loos"; that said testimony and schedules were prepared by him and/or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge.


Larry W. Loos

State of Kansas
County of Johnson
SUBSCRIBED and sworn to
Before me this 31st day of October 2006.


Notary Public

My commission expires 2-6-08



11/1/2006

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Cost of Capital
Summary

UPDATED
Schedule____(LWL-4)
Sheet 1 of 5

	[A]	[B]	[C]	[D]
Line No.	Capital Component	Capital Structure	Cost Rate	Weighted Cost Rate
1	Long Term Debt	22.59%	6.05%	1.37%
2	Convertible Debentures	12.23%	6.65%	0.81%
3	Common Equity	<u>65.18%</u>	12.00%	<u>7.82%</u>
4	Total	100.00%		10.00%

Reference:

Column B - Schedule____(LWL-4), Sheet 2

Column C - Line 1, Schedule____(LWL-4), Sheet 2

Column C - Line 2, Schedule____(LWL-4), Sheet 2

Column C - Line 3, Schedule____(LWL-4), Sheet 3

Algonquin Water Resources of Missouri

Cost of Capital

UPDATED
Schedule____(LWL-4)
Sheet 2 of 5

Line No.	Description	[A]	[B]	[C]	[D]	[E]
		Balance Outstanding \$1,000	Capitalization %	Cost Rate %		Amount \$1,000
1	Cost of Long Term Debt					
2	Senior Debt - Long Sault Rapids	42,868		10.16 - 10.21		4,366
3	Senior Debt - Ford	5,335		11.55		616
4	Sanger Bonds	22,385		2.5		560
5	Bella Vista	2,257		6.10 - 6.26		139
6	Litchfield Park	15,653		5.87 - 6.71		985
7	Revolving Credit	69,300		4.16		2,883
8	Subtotal	157,798		6.05		9,549
9	Other	209				
10	Total	158,007				
11	Less Current Portion	(1,005)				
12	Total Long Term Debt	157,002	22.59%			
13	Convertible Debentures	85,000	12.23%	6.65%		5,653
14	Equity Capital					
15	Trust Units	654,176				
16	Deficit	(201,178)				
17	Total Equity	452,998	65.18%			
18	Total Capital	695,000	100.00%			

Reference: Algonquin Power Income Fund 2005 Annual Report

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Discounted Cash Flow Model

UPDATED
Schedule____(LWL-4)
Sheet 3 of 5

	[A]	[B]	[C]
<u>Line No.</u>	<u>Description</u>	<u>Reference</u>	<u>Range</u>
1	Dividend Yield	Sheet 4	2.50% - 5.75%
2	Growth Rate	Sheet 5	<u>5.50% - 9.50%</u>
3,	DCF Range		8.00% - 15.25%
4	Mid Range		11.25% - 12.00%
5	Single Point Estimate		12.00%

**Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006**

UPDATED
Schedule____(LWL-4)
Sheet 4 of 5

**Dividend Yield
Summary**

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
		Average Annual Yield						Yield on Average Book					
		Historic			Value Line Forecast			Historic			Value Line Forecast		
Line No.	Description	2003	2004	2005	2006	2007	2009-2011	2003	2004	2005	2006	2007	2009-2011
		%	%	%	%	%	%	%	%	%	%	%	%
1	Group 1												
2	American States Water	3.50	3.60	3.10	-	-	2.60	6.28	6.14	5.86	5.56	5.28	5.07
3	Aqua America	2.50	2.30	1.80	-	-	2.40	7.22	6.59	6.56	6.74	7.03	8.15
4	California Water	4.20	3.90	3.10	-	-	3.50	8.13	7.51	7.21	7.04	6.78	6.43
5	Southwest Water	1.70	1.50	1.60	-	-	1.50	3.49	3.25	3.16	3.49	3.66	4.18
6	Median	3.00	2.95	2.45			2.50	6.75	6.37	6.21	6.15	6.03	5.75
7	DCF Dividend Yield: 2.50% - 5.75%												

Reference:

Valueline Investment Survey, July 28, 2006

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Compound Growth Rates
Summary

UPDATED
Schedule ____ (LWL-4)
Sheet 5 of 5

	[A]	[B]	[C]	[D]	[E]	[F]
			Historic		Forecast	
Line No.	Description	Period Beginning Period Ending	1990 - 1996 2001 - 2005	1997 - 2000 2001 - 2005	2001 - 2005 2006	2001 - 2005 2009 - 2011
1	Cash Flow per Share					
2	American States Water		3.50%	3.19%	7.66%	5.94%
3	Aqua America		8.69%	9.87%	8.71%	9.00%
4	California Water		2.33%	-0.43%	4.85%	4.50%
5	Southwest Water		7.26%	5.88%	1.29%	6.24%
6	Median		5.38%	4.53%	6.26%	6.09%
7	Earnings Per Share					
8	American States Water		0.87%	0.39%	11.06%	7.20%
9	Aqua America		8.61%	8.73%	8.08%	10.57%
10	California Water		0.07%	-4.12%	9.23%	5.16%
11	Southwest Water		11.34%	5.38%	0.55%	9.79%
12	Median		4.74%	2.89%	8.66%	8.50%
13	Dividends Per Share					
14	American States Water		1.27%	0.96%	1.05%	1.22%
15	Aqua America		5.32%	6.47%	8.13%	9.57%
16	California Water		1.62%	0.93%	0.71%	1.15%
17	Southwest Water		2.25%	10.14%	11.48%	9.33%
18	Median		1.94%	3.71%	4.59%	5.28%
19	Price Per Share					
20	American States Water		7.45%	7.44%		5.75%
21	Aqua America		16.63%	15.39%		8.61%
22	California Water		6.02%	2.62%		2.60%
23	Southwest Water		14.71%	15.76%		5.89%
24	Median		11.08%	11.42%		5.82%
25	Book Value Per Share					
26	American States Water		4.31%	4.48%	5.70%	4.81%
27	Aqua America		8.51%	10.45%	9.03%	8.13%
28	California Water		2.71%	2.04%	4.99%	5.11%
29	Southwest Water		7.86%	13.30%	9.28%	6.35%
30	Median		6.08%	7.46%	7.37%	5.73%
	Recap					
	Cash Flow per Share	4.50% - 6.00%				
	Earnings per Share	2.75% - 8.50%				
	Dividends per Share	3.50% - 5.25%				
	Price per Share	5.75% - 11.00%				
	Book Value per Share	6.00% - 7.00%				
	DCF Growth Rate	5.50% to 9.50%				

Reference:
Valueline Investment Survey, July 28, 2006

11/1/2006

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Cost of Capital
Summary

UPDATED
Schedule____(LWL-4)
Sheet 1 of 8

	[A]	[B]	[C]	[D]
Line No.	Capital Component	Capital Structure	Cost Rate	Weighted Cost Rate
1	Long Term Debt	22.59%	6.05%	1.37%
2	Convertible Debentures	12.23%	6.65%	0.81%
3	Common Equity	<u>65.18%</u>	12.00%	<u>7.82%</u>
4	Total	100.00%		10.00%

Reference:

Column B - Schedule__(LWL-4), Sheet 2

Column C - Line 1, Schedule__(LWL-4), Sheet 2

Column C - Line 2, Schedule__(LWL-4), Sheet 2

Column C - Line 3, Schedule__(LWL-4), Sheet 3

11/1/2006

**Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Cost of Capital
Summary**

UPDATED
Schedule____(LWL-4)
Sheet 2 of 8

11/1/2006

**Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Cost of Capital
Summary**

UPDATED
Schedule ____ (LWL-4)
Sheet 3 of 8

11/1/2006

**Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Cost of Capital
Summary**

UPDATED
Schedule____(LWL-4)
Sheet 4 of 8

Algonquin Water Resources of Missouri

Cost of Capital

UPDATED
Schedule (LWL-4)
Sheet 5 of 8

Line No.	Description	[A]		[B]		[C]		[D]		[E]	
		Balance		Outstanding		Capitalization		Cost		Amount	
		\$1,000				%		Rate		\$1,000	
1	Cost of Long Term Debt										
2	Senior Debt - Long Sault Rapids		42,868					10.16 - 10.21		4,366	
3	Senior Debt - Ford		5,335					11.55		616	
4	Sanger Bonds		22,385					2.5		560	
5	Bella Vista		2,257					6.10 - 6.26		139	
6	Litchfield Park		15,653					5.87 - 6.71		985	
7	Revolving Credit		69,300					4.16		2,883	
8	Subtotal		157,798					6.05		9,549	
9	Other		209								
10	Total		158,007								
11	Less Current Portion		(1,005)								
12	Total Long Term Debt		157,002			22.59%					
13	Convertible Debentures		85,000			12.23%		6.65%		5,653	
14	Equity Capital										
15	Trust Units		654,176								
16	Deficit		(201,178)								
17	Total Equity		452,998			65.18%					
18	Total Capital		695,000			100.00%					

Reference: Algonquin Power Income Fund 2005 Annual Report

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Discounted Cash Flow Model

UPDATED
Schedule _____ (LWL-4)
Sheet 6 of 8

	[A]	[B]	[C]
Line No.	Description	Reference	Range
1	Dividend Yield	Sheet 4	2.50% - 5.75%
2	Growth Rate	Sheet 5	<u>5.50% - 9.50%</u>
3	DCF Range		8.00% - 15.25%
4	Mid Range		11.25% - 12.00%
5	Single Point Estimate		12.00%

**Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006**

UPDATED
Schedule____(LWL-4)
Sheet 7 of 8

**Dividend Yield
Summary**

Line No.	Description	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]
		Average Annual Yield						Yield on Average Book						
		Historic			Value Line Forecast			Historic			Value Line Forecast			
		2003	2004	2005	2006	2007	2009-2011	2003	2004	2005	2006	2007	2009-2011	
		%	%	%	%	%	%	%	%	%	%	%	%	
1	Group 1													
2	American States Water	3.50	3.60	3.10	-	-	2.60	6.28	6.14	5.86	5.56	5.28	5.07	
3	Aqua America	2.50	2.30	1.80	-	-	2.40	7.22	6.59	6.56	6.74	7.03	8.15	
4	California Water	4.20	3.90	3.10	-	-	3.50	8.13	7.51	7.21	7.04	6.78	6.43	
5	Southwest Water	1.70	1.50	1.60	-	-	1.50	3.49	3.25	3.16	3.49	3.66	4.18	
6	Median	3.00	2.95	2.45			2.50	6.75	6.37	6.21	6.15	6.03	5.75	
7	DCF Dividend Yield: 2.50% - 5.75%													

Reference:

Valueline Investment Survey, July 28, 2006

Algonquin Water Resources of Missouri
Pro Forma Test Year Ended September 30, 2006
Compound Growth Rates
Summary

UPDATED
Schedule (LWL-4)
Sheet 8 of 8

Line No.	Description	[A] Period Beginning Period Ending	[C] Historic		[E] Forecast	
			[D] 1990 - 1996 2001 - 2005		[F] 2001 - 2005 2009 - 2011	
			1997 - 2000 2001 - 2005	2001 - 2005	2001 - 2005 2006	2001 - 2005 2009 - 2011
1	Cash Flow per Share					
2	American States Water		3.50%	3.19%	7.66%	5.94%
3	Aqua America		8.69%	9.87%	8.71%	9.00%
4	California Water		2.33%	-0.43%	4.85%	4.50%
5	Southwest Water		7.26%	5.88%	1.29%	6.24%
6	Median		5.38%	4.53%	6.26%	6.09%
7	Earnings Per Share					
8	American States Water		0.87%	0.39%	11.06%	7.20%
9	Aqua America		8.61%	8.73%	8.08%	10.57%
10	California Water		0.07%	-4.12%	9.23%	5.16%
11	Southwest Water		11.34%	5.38%	0.55%	9.79%
12	Median		4.74%	2.89%	8.66%	8.50%
13	Dividends Per Share					
14	American States Water		1.27%	0.96%	1.05%	1.22%
15	Aqua America		5.32%	6.47%	8.13%	9.57%
16	California Water		1.62%	0.93%	0.71%	1.15%
17	Southwest Water		2.25%	10.14%	11.48%	9.33%
18	Median		1.94%	3.71%	4.59%	5.28%
19	Price Per Share					
20	American States Water		7.45%	7.44%		5.75%
21	Aqua America		16.63%	15.39%		8.61%
22	California Water		6.02%	2.62%		2.60%
23	Southwest Water		14.71%	15.76%		5.89%
24	Median		11.08%	11.42%		5.82%
25	Book Value Per Share					
26	American States Water		4.31%	4.48%	5.70%	4.81%
27	Aqua America		8.51%	10.45%	9.03%	8.13%
28	California Water		2.71%	2.04%	4.99%	5.11%
29	Southwest Water		7.86%	13.30%	9.28%	6.35%
30	Median		6.08%	7.46%	7.37%	5.73%
	Recap					
	Cash Flow per Share	4.50% - 6.00%				
	Earnings per Share	2.75% - 8.50%				
	Dividends per Share	3.50% - 5.25%				
	Price per Share	5.75% - 11.00%				
	Book Value per Share	6.00% - 7.00%				
	DCF Growth Rate	5.50% to 9.50%				

Reference:
Valueline Investment Survey, July 28, 2006

Algonquin Water Resources of Missouri
Twelve Months Ended September 30, 2005
Pro Forma Adjustments

Line No.	[A] Description	[B]	[C]	[D]
		Total \$	Water Utility \$	Sewer Utility \$
1	1) To adjust plant in service to reflect 2007 budgeted additions	178,200	97,100	91,100
2	2) To adjust depreciation reserve to synchronize with			
3	pro forma plant in service			
4	Depreciation Reserve at 8/15/05	2,510,970	1,630,792	880,178
5	Increase in Reserve: 8/15/06 - 9/30/06	1,371	1,155	216
6	Depreciation Reserve at 9/30/06 (per books)	2,512,341	1,631,947	880,394
7	Adjustments to Book Reserve			
8	Adjustment to limit Net Plant at 8/15/05 to \$3.8 million			
9	As Booked	308,719	308,719	0
10	As Adjusted	308,719	235,967	72,752
11	Adjustment	-	(72,752)	72,752
12	Depreciation Expense not booked 8/15/05 - 9/30/05	22,900	14,444	8,456
13	Depreciation Expense: 10/1/05 - 9/30/06	189,273	119,041	70,232
14	Subtotal	212,173	133,485	78,688
15	Less: Amount booked: 8/15/05 - 9/30/06	(1,371)	(1,155)	(216)
16	Adjustment to Depreciation Reserve (9/30/06 Balance)	210,801	132,330	78,472
17	Pro Forma Depreciation Expense	198,709	123,603	75,206
18	Total Adjustment to Depreciation Reserve	409,511	255,833	153,678
19	Depreciation Reserve at end of Test Year (Ln 6 + Ln 18)	2,921,852	1,887,780	1,034,072
20	3) To adjust depreciation expense recorded in test year			
21	Test Year Depreciation Expense	189,273	119,041	70,232
22	Per Books Depreciation Expense	1,371	1,155	216
23	Pro Forma Depreciation Expense Adjustment	187,901	117,886	70,016
24	4) Estimated cost of preparing rate case			
25	Estimated Total Cost	225,000	135,000	90,000
26	Pro Forma Adjustment Based on 5-Year Amortization	45,000	27,000	18,000
27	Unamortized Rate Case Expense	180,000	108,000	72,000
28	Amount Booked to Deferred Rate Case Expense	131,857	85,590	46,268
29	Pro Forma Adjustment to Deferred Rate Case Expense	48,143	22,410	25,732
30	5) To normalize test period deliveries of untreated water to Silverleaf used for golf course irrigation.			
31	Historical Deliveries	1,000 gal		
32	12 Months Ended 12/31/03	78,212		
33	12 Months Ended 12/31/04	68,862		
34	12 Months Ended 12/31/05	68,811		
35	12 Months Ended 9/30/06	84,816		
36	Pro Forma Deliveries	75,000		
37	Adjustment	(9,816)		
38	Under existing rates Algonquin does not bill Silverleaf for this water so there is no associated			
39	adjustment to revenues. Algonquin proposes a separate rate for this service.			
40	6) To synchronize test period revenues			
41	Total Revenues at Existing Rates	339,075	224,106	114,970
42	Total Revenues per Books	329,975	225,204	104,771
43	Adjustment	9,100	(1,098)	10,199
44	7) To adjust AWS Operating Expense Labor for additional employees added in July 2006			
45	Contractual Services - AWS (per books)	100,238	74,939	25,299
46	Contractual Services - AWS with additional employees	240,120	179,380	60,740
47	Pro Forma Adjustment to Operating Expenses	139,882	104,440	35,442