

**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 REPLY TO ALGONQUIN'S STATEMENT OF POSITION AS TO ACQUISITION PREMIUM
AND MOTION TO CANCEL HEARING**

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

1. On July 25, 2005, counsel for Algonquin Water Resources of Missouri, LLC (Algonquin) filed its Statement of Position as to Acquisition Premium and Motion to Cancel Hearing (Statement) stating that "Algonquin hereby states that it will not seek to recover through customer rates any acquisition premium associated with this transaction that may be determined by the Commission to exist in a future rate case."

2. As a result of Algonquin's Statement, the Staff reports that Algonquin has addressed the acquisition premium issue that was raised by Staff in its Statements of Position and rebuttal testimony. Therefore, the Staff believes that the proposed transaction is "not detrimental to the public interest" and that the issues related to the determination of any acquisition premium are best addressed in the context of a future rate case.

3. On July 26, 2005, the Commission issued its Order Granting Motion To Cancel Hearing noting the "...parties agree that a hearing is not necessary."

4. Accordingly, the Staff recommends that the Commission issue its order:
- (1) authorizing Silverleaf to sell the assets identified in the Asset Purchase Agreement;
 - (2) authorizing Silverleaf and Algonquin to perform in accordance with the terms described in the Asset Purchase Agreement, as amended, and to take any and all other actions which may be reasonably necessary and incidental to the performance of the agreement;
 - (3) granting Algonquin water and sewer certificates of convenience and necessity to serve the areas for which Silverleaf currently holds certificates and provides service;
 - (4) directing Algonquin and Silverleaf to file a pleading with the Commission informing it when the transaction has been completed so that the Commission may issue an order canceling Silverleaf's certificates;
 - (5) authorizing Algonquin to adopt Silverleaf's existing tariffs, which will necessitate the filing of a tariff title page, a tariff adoption page and an index page for each of Silverleaf's tariffs; and
 - (6) authorizing Algonquin to operate under Silverleaf's existing tariffs until such time that the above-referenced tariff adoption actions are completed, so that there will be no "break" in the continued effectiveness of the provisions of Silverleaf's tariffs.

WHEREFORE, the Staff submits its Reply as discussed above for the consideration of the Commission.

Respectfully submitted,

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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 26th day of July 2005.

/s/ Robert S. Berlin

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