

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

In the matter of the tariff filing of)
Algonquin Water Resources of Missouri,)
LLC to implement a general rate increase)
for water and sewer service provided to)
customers in its Missouri service areas.)

Case No. WR-2006-0425

STAFF’S RECONCILIATION OF ISSUES TO BE HEARD

COMES NOW the Staff of the Missouri Public Service Commission and, for its Reconciliation of Issues to be Heard, states to the Commission as follows:

1. On July 5, 2006, the Commission issued its Order Setting Procedural Schedule, in which it ordered the Staff to file its Reconciliation of Issues to be Heard by no later than January 17, 2007. The Commission subsequently modified the procedural schedule, but did not change the deadline for filing the Reconciliation of Issues to be Heard.

2. In compliance with the Commission’s order, attached hereto is the Staff’s Reconciliation of Issues to be Heard. This reconciliation consists of two documents, the first reconciling the Staff’s proposed revenue requirement for the water service that Algonquin provides with the Company’s proposed revenue requirement for water service, and the second reconciling the Staff’s proposed revenue requirement for the sewer service that Algonquin provides with the Company’s proposed revenue requirement for sewer service.

WHEREFORE, the Staff submits this Reconciliation of Issues to be Heard for the Commission’s information.

Respectfully submitted,

/s/ Keith R. Krueger

Keith R. Krueger
Deputy General Counsel
Missouri Bar No. 23857

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9285 (Fax)
keith.krueger@psc.mo.gov (e-mail)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 17th day of January, 2007.

/s/ Keith R. Krueger

Algonquin Water Company

Case No. WR-06-425

Revenue Requirement Reconciliation

Line No.								
1	Algonquin - Revenue Requirement							736,758
2								
3	Rate of Return & Capital Structure							
4	-----							
5	Value of Capital Structure Issue - Staff / Company						(32,592)	
6	Capital Structure impact on Interest Expense Deduction						\$0	
7	Rev. Req. Value of Return on Equity						(\$48,574)	
8								
9	Sub-Total Rate of Return and Capital Structure Differences							(\$81,167)
10								
11	Rate Base Issues :							
12	-----							
13	Update Plant to Sept. 30						\$22,962	
14	Adjust Test Year to Agree to Staff						(\$38,879)	
15	Disallow Const. Cost Overruns						(\$13,476)	
16	To Reclassify Excess Capacity						(\$34,323)	
17	Other Plant Differences						(\$102,589)	
18	Adj. Reserve for Staff Adjustments						\$10,925	
19	Other Reserve Differences						\$68,082	
20	Cash Working Capital						\$0	
21	Materials & Supplies						\$0	
22	Prepayments						(\$202)	
23	Unamortized Rate Case Expense						(\$7,809)	
24	Contributions in aid of Construction						(\$65,815)	
25								
26	Sub Total - Rate Base Issues							(\$161,124)
27								
28	Income Statement - Revenue Issues							
29	-----							
30	Booked Revenue - Unadjusted						\$81,111	
31	Annualize Water Revenue						(\$71,001)	
32	Eliminate Transfer Fee						(\$1,170)	
33	Eliminate Reconnection Fee						\$349	
34	Annualize Irrigation Revenue						(\$85,137)	
35	Annualize Other Income						(\$1,583)	
36	Update Revenue to September 30						\$747	
37								
38	Sub Total - Revenue Adjustments							(\$76,684)
39								
40	Income Statement - Expense Issues							
41	-----							
42	Total Expenses - Unadjusted						(81,295)	
43	Annualize Payroll Expense						(36,438)	
44	Annualize PSC Assessment						(928)	
45	Annualize Rental Expense						3,828	
46	Annualize Postage Expense						462	
47	Annualize Phone Expense						571	
48	Annualize Property Taxes						10,337	
49	Annualize Electric Pumping Expense						(1,225)	
50	Eliminate Test Year Group Medical Costs						(2,605)	
51	Amortize Rate Case Expense						(26,890)	
52	To Remove Test Year Professional Fees						(4,031)	
53	To Eliminate Customer Relations Expense						(6,468)	
54	Annualize Depreciation Expense						(55,959)	
55								
56								(\$200,641)
57	Income Tax Differences							
63	Difference in Current Income Tax Rate						24,336	
64	Algonquin - Current Tax on Negative Taxable Income						120,023	
65	Add Tax Factor Gross Up Difference						(279,627)	
67								
68	Sub Total - Income Tax Differences							(\$135,268)
69								
70								
71	Total Value of All Issues							(\$654,883)
72								
73	Staff Revenue Requirement							\$81,875
74								=====

Algonquin Sewer Company

Case No. SR-06-425

Revenue Requirement Reconciliation

Line No.						
1	Algonquin - Revenue Requirement					336,509
2						
3	Rate of Return & Capital Structure					
4	-----					
5	Value of Capital Structure Issue - Staff / Company				(12,922)	
6	Capital Structure impact on Interest Expense Deduction				\$0	
7	Rev. Req. Value of Return on Equity				(\$19,258)	
8						
9	Sub-Total Rate of Return and Capital Structure Differences					(\$32,180)
10						
11	Rate Base Issues :					
12	-----					
13	Update Plant to Sept. 30				(\$1,005)	
14	Adjust Test Year to Agree to Staff				(\$4,315)	
15	Other Plant Differences				(\$61,867)	
16	Adj. Reserve for Staff Adjustments				(\$15,746)	
17	Other Reserve Differences				\$64,384	
18	Cash Working Capital				\$0	
19	Materials & Supplies				\$0	
20	Prepayments				(\$177)	
21	Unamortized Rate Case Expense				(\$5,471)	
22	Contributions in aid of Construction				(\$22,759)	
23						
24	Sub Total - Rate Base Issues					(\$46,956)
25						
26	Income Statement - Revenue Issues					
27	-----					
28	Booked Revenue - Unadjusted				\$17,612	
29	Annualize Water Revenue				(\$24,873)	
30						
31	Sub Total - Revenue Adjustments					(\$7,260)
32						
33	Income Statement - Expense Issues					
34	-----					
35	Total Expenses - Unadjusted				(49,692)	
36	Annualize Payroll Expense				(313)	
37	Annualize PSC Assessment				(6,474)	
38	Annualize Rental Expense				877	
39	Annualize Postage Expense				209	
40	Annualize Phone Expense				(381)	
41	Annualize Property Taxes				4,673	
42	Eliminate Professional Fees				(2,771)	
44	Amortize Rate Case Expense				(18,839)	
45	Annualize Depreciation Expense				(22,250)	
46						
47						(\$94,961)
48	Income Tax Differences					
49	Algonquin - Current Tax on Negative Taxable Income				77,208	
50	Add Tax Factor Gross Up Difference				(117,092)	
51						
52	Sub Total - Income Tax Differences					(\$39,884)
53						
54						
55	Total Value of All Issues					(\$221,241)
56						
57	Staff Revenue Requirement					\$115,269
58						=====