

Foster, Keith

From: Foster, Keith
Sent: Thursday, May 24, 2012 5:31 PM
To: 'Shawn.Bundy@libertywater.com'
Subject: Algonquin Water Resources of Missouri LLC d/b/a Liberty Water - 2011 Missouri PSC Annual Report Deficiency

Thank you for submitting your 2011 Annual Report to the Missouri Public Service Commission. As a result of my review, I have identified the following item(s) that need to be corrected:

1. The correct annual report form was not used for this submission. Each year in January, the Commission authorizes the current annual report form to be utilized for submissions. This form is sent to each company either via mail or email to the contact on file as provided by the company. This year, major revisions to the report were made, which require the proper form to be submitted. Therefore, a complete resubmission using the correct form is necessary.

The correct form and instructions can be obtained on the Commission's website at: [www.http://psc.mo.gov](http://psc.mo.gov) then clicking the Forms box on the left hand side of the page, then selecting the Water/Sewer link; or by contacting the Commission.

2. The company's name was incorrectly listed. The report must include any d/b/a names on each line requesting the company's name. Our records indicate the company's current certificated name is **Algonquin Water Resources of Missouri LLC d/b/a Liberty Water**. The name currently listed on the report will need to be changed to reflect this.
3. The verification page was not completed by the Company nor notarized. When submitting the annual report form electronically, complete the verification page in full. Electronic signatures are acceptable pursuant to Sections 432.200 through 432.295 RSMo. The original document shall be notarized and kept for your records. On the electronic version, type the electronic signatures (/s/ John Doe) and dates that are reflected on the original document.
4. On page 1, line 5, Company E-mail Address was not completed. Line 8 must include the city, state, and zip code of the company contact.
5. Although page 1, line 18, Total Revenues (for Water) under MO Jurisdictional, correctly equals the total operating revenues reported on page W-2, line 24, it does not match the sum of lines 16 and 17. In addition, lines 16 and 17 must correlate to what is reported on page W-2; line 17 on page 1 reports Other Revenues of \$47.99, yet no Other Revenues are reported on page W-2, line 23, Other Operating Revenues.
6. Page 2 does not contain any Capital Stock data for lines 3-7, although \$3,434,329 of Capital Stock is reported on the Balance Sheet, page 5, line 3. This section must be completed as well as the section for Security Holders and Voting Powers, lines 8-17. Boxes 27 (Secretary of State Requirements) and 28 (Department of Natural Resources Permits) must be checked if the company has filed and is current.
7. Page 3, does not list any major transactions occurring during the year, yet on pages W-5 and S-4, \$2,130,018.91 and \$82,904.22, respectively, are reported for Additions During the Year, column (d). Please revise page 3 to describe these additions.
8. A required detailed explanation of the amount reported on page 4, line 19 (Other Assets), was not attached. The current annual report form has a page 4a, upon which you must provide this explanation.

9. The amount of Total Assets on page 4, line 20, does not match the amount of Total Equity and Liabilities listed on page 5, line 22. These two amounts must match. Please check the data provided and correct any errors.
10. A required detailed explanation of the amount reported on page 5, line 21 (Other Liabilities), was not attached. The current annual report form has a page 5a, upon which you must provide this explanation.
11. No payroll data was provided on page 7. Individual payroll data must be provided for all officers and employees. If there are no officers or employees, then page 8 must be completed. Additional sheets may be added if necessary.
12. Page 8 was not completed. The information noted on the page must be provided for each service provider. If no payments were made for services rendered by other than employees, then page 7 must be completed.
13. No information was recorded on page 9, Contributions in Aid of Construction (CIAC). In the company's last rate case (Public Service Commission Case No. WR-2006-0425), the commission ordered the Company to record specific CIAC amounts (see Report and Order dated March 13, 2007, page 20). You must update page 9 to accurately report CIAC and its amortization or provide an explanation of why it is not included.
14. Page 10 does not list any debtors, yet \$310,686.49 in short-term debt to affiliates is reported on page 5, line 6. Each item of debt must be reported on page 10.
15. Gallons sold and the revenue amounts for each type of metered sales of water are not included on page W-2, lines 10-15. These amounts must be provided for each meter size.
16. A required detailed explanation of the amount reported on page W-2, line 15 (Other), was not attached. The current annual report form has a page W-2a, upon which you must provide this explanation.
17. A required detailed explanation of the amount reported on page W-3, line 7 (Repairs of Water Plant - Other), was not attached. The current annual report form has a page W-3a, upon which you must provide this explanation.
18. The amounts recorded under Annual Depreciation Expense, column (h), on page W-6, do not all appear to be calculated correctly. Of particular note is the annual depreciation expense on line 29 for account number 343 (Transmission and Distribution Mains) at \$1,164,375.43, or approximately 27.8% of the Plant-in-Service balance for that account, far above an annual depreciation rate of 2.0% (Note: this does not mean the annual depreciation amount should be exactly 2.0% of the Plant-in-Service balance; this total should be calculated based upon actual in-service and retirement dates of new equipment and retirements during the period). Please check this data and make any necessary corrections.
19. Page W-7 is incomplete. Installation and replacement dates must be provided for each pump listed. If a date is unknown, then that should be stated. Year Constructed (line 15) and Type of Construction (line 16) must be provided for each well listed. If unknown, then that should be stated.
20. No information was recorded on page W-8. Since page W-2 identifies 1,448 metered customers, on page W-8 you must provide the information requested under Meters and Meter Settings, as well as under Storage Facilities.
21. Page W-9 does not show any Total Additions During the Year (column d) or Total Removed or Abandoned During the Year (column e) of pipes for Mains. However, on page W-5, \$1,919,804.56

is reported as Additions During the Year (column d) for Transmission and Distribution Mains (Account 343) on line 29. Please review and update page W-9 to accurately reflect any additions and removals that occurred during the year.

22. A required detailed explanation of the amount reported on page S-3, line 7 (Repairs of Sewer Plant - Other), was not attached. The current annual report form has a page S-3a, upon which you must provide this explanation.
23. The amounts recorded under Annual Depreciation Expense, column (h), on page S-5, do not all appear to be calculated correctly. Of particular note is (1) the annual depreciation expense on line 11 for account number 352.2 (Collection Sewer - Gravity) at \$46,056.69, or approximately 7.7% of the Plant-in-Service balance for that account, over three times the annual depreciation rate of 2.0% and (2) the annual depreciation expense on line 21 for account number 372 (Oxidation Lagoon) at \$168,793.37, or approximately 19% of the Plant-in-Service balance for that account, nearly four times the annual depreciation rate of 5.0% (Note: this does not mean the annual depreciation amount should be exactly 2.0% or 5.0% of the Plant-in-Service balance; this total should be calculated based upon actual in-service and retirement dates of new equipment and retirements during the period). Please check this data and make any necessary corrections.

The above list of deficiencies is based on the information as presented on this form as filed. However, given that your revised submission will be completed on the current and correct annual report form, some items might need to be provided on a different line or area of the new form or there may be additional information requested on the new form. Given this, when a revised annual report is received, a complete review of that form will be conducted which may identify deficiencies due to the addition of data not previously reported or for some other reason. At the completion of that review, we will notify you if the report has been accepted or if deficiencies exist.

A response for these item(s) is required in order to show your report as complete and remove it from deficiency status.

You **must resubmit** the annual report, in its entirety, with the appropriate changes and the reference number below for it to be properly entered into the system. An updated verification attesting to the new/updated information is also required.

Your prompt attention to resolving this matter is appreciated. The Commission's rule 4 CSR 240-3.540 (4) states that a utility company which receives a notice of deficiency for the information provided in the annual report shall respond to that notice within **20 days**, or the utility company is subject to a **penalty of \$100** for each day that it is late in filing its response to the deficiency.

The completed document/revision should be submitted electronically under EFIS (accessible from the Commission's Web page <http://www.psc.mo.gov/>) or mailed to:

Data Center
Missouri Public Service Commission
200 Madison Street, Suite 100, Jefferson City, MO 65101
(P.O. Box 360, Jefferson City, MO 65102-0360)

When contacting the Commission concerning your report, please reference the following identification number: **BMAR-2012-1703 and BMAR-2012-1706**.

Should you have any questions or need assistance in this process, please contact me.

A COMPANY RESPONSE TO THE ABOVE DEFICIENCIES IS REQUIRED.

Sincerely,

Keith D. Foster, PMP

Utility Regulatory Auditor

Auditing Unit

Utility Services Department

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