

**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)	Cases Nos. WR-2006-0425
for water and sewer service provided)	SR-2006-0426
to customers in its Missouri service areas.)	

**ALGONQUIN’S REPLY CONCERNING
STAFF’S RESPONSE TO ORDER DIRECTING SCENARIOS**

Comes now Algonquin Water Resources of Missouri, LLC (Algonquin or Company), and, in reply to Staff’s Response to Order Directing Scenarios, states as follows to the Missouri Public Service Commission (Commission):

1. On March 1, 2007, the Commission issued its Order Directing Scenarios wherein it directed its Staff to file a pleading responding to certain scenarios described in the Order. Staff filed a pleading on March 6, 2007. The pleading indicated that certain additional information related to rate mitigation would be filed by March 7, 2006.

2. The Order Directing Scenarios further directed that any party that disagrees with the pleading filed by Staff must file a pleading explaining why it disagrees no later than 5:00 p.m. on March 6, 2007.

3. Algonquin’s review of the scenarios cannot be said to have been exhaustive as Algonquin has had only a few hours to review the scenarios as filed and to prepare this response. This being said, Algonquin has identified the following disagreements with the scenarios supplied by the Staff:

- Algonquin believes the revenue requirement difference between the Staff (at Staff’s mid-point) and Algonquin (at 12.00%) as to return on equity is \$40,493, as to water, and

\$16,381, as to sewer. Staff identified this difference to be \$45,356, as to water, and \$18,324, as to sewer. Moreover, if the Algonquin position were instead the low end of its range (11.25%), Algonquin believes the revenue requirement difference to be \$31,664, as to water, and \$12,810, as to sewer;

- Algonquin believes the revenue requirement difference between the Staff and Algonquin as to depreciation is (\$23,540), as to water, and (\$22,684), as to sewer. Staff identified this difference to be (\$41,903), as to water, and (\$30,768), as to sewer;

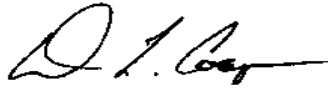
- Algonquin believes the revenue requirement difference between rate case expense at the \$5,000 level and rate case expense at the \$225,000 level (amortized over five years) is \$24,000, as to water, and \$16,000, as to sewer. Staff identified this difference to be \$26,400, as to water, and \$17,600, as to sewer.

4. Algonquin would also point out that the use of its numbers for the value of the issue will reduce the spread between the “bill comparisons” Staff submitted related to the A-2 and C-3 scenarios. This is because the total revenue requirement for the A-2 scenario (the lower end) would increase and the total revenue requirement for the C-3 scenario (the higher end) would decrease.

WHEREFORE, the Company respectfully requests that the Commission consider this

reply in regard to the Commission's Order Directing Scenarios issued March 1, 2007.

Respectfully submitted,



Dean L. Cooper Mo. Bar 36592
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102-0456
Telephone: (573) 635-7166
Facsimile: (573) 635-0427
dcooper@brydonlaw.com

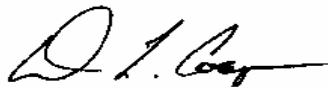
ATTORNEYS FOR ALGONQUIN WATER
RESOURCES OF MISSOURI, LLC

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent by electronic mail this 6th day of March, 2007, to:

Keith Krueger
Office of the General Counsel
Missouri Public Service Commission
Governor's Office Building
200 Madison Street
P.O. Box 360
Jefferson City, Missouri 65102

Christina Baker
Office of the Public Counsel
Governor's Office Building
200 Madison Street
P.O. Box 7800
Jefferson City, Missouri 65102



Dean L. Cooper