

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

In the Matter of the Application of Ozark Meadows,)
Aqua Development Company, d/b/a Aqua Missouri,)
Inc. Request for Increase in Annual Sewer System) **File No. SR-2010-0023**
Operating Revenues MPSC Sewer Utility Small) Tariff No. YS-2010-0391
Company Rate Increase Procedures)

In the Matter of Aqua RU, Inc. d/b/a Aqua Missouri)
Request for Increase in Annual Water System) **File No. WR-2010-0025**
Operating Revenues MPSC Water Utility Small) Tariff No. YW-2010-0394
Company Rate Increase)

In the Matter of Aqua Missouri, Inc. (CU) Request)
for Increase in Annual Sewer System Operating) **File No. SR-2010-0026**
Revenue MPSC Sewer Utility Small Company Rate) Tariff No. YS-2010-0392
Increase Procedures)

In the Matter of Aqua Missouri, Inc. (CU) Request)
for an Increase in the Annual Water System) **File No. WR-2010-0027**
Operating Revenues MPSC Water Utility Small) Tariff No. YW-2010-0393
Company Rate Increase Procedures)

CONCURRING OPINION OF CHAIRMAN ROBERT M. CLAYTON III

While this Commissioner concurs in the Commission's Order Approving Non-
Unanimous Disposition Agreements and Approving Tariffs, these matters are representative of
the most difficult decisions that face this Commission. During a time of difficult economic
circumstances, increasing energy costs and significant instances of unemployment and
underemployment, it is not a good time for any rate increase. Additionally, the increases in this
order raise rates for Aqua Missouri's customers to some of the highest rates in the state for water
and sewer service. The Commission has before it a unanimous agreement addressing the
appropriateness of these rate increases and no party, including the Public Counsel, has raised any

objection to its approval. The Commission is without any real option but to approve the request. This opinion is an attempt to further explain why the Commission is approving the request and what steps the Commission may be taking with regard to improving service for customers.

Aqua Missouri has acquired many small water and sewer systems in Missouri. In 2003, Aqua Missouri acquired AquaSource, which maintained multiple systems around the state in various states of repair. Many of these systems were in desperate need of improvement and required significant capital investments to offer safe and adequate service. The systems are spread around the state of Missouri in various counties including Barry, Benton, Callaway, Christian, Cole, Green, Morgan, Pettis, Taney, and Stone. The system locations do not permit the consolidation of systems or attaining cost savings from synergies. A further complication is that each of the systems has few customers among whom costs can be shared and absorbed such that any significant investment in plant results in a correspondingly significant rate increase. The more customers a system has, the lower the rate increase for each customer.

The Commission is partly to blame for this circumstance in that over the years, the Commission has granted nearly every developer with an interest in opening a new subdivision a Certificate of Convenience and Necessity which is needed to operate a small water or sewer utility. Rather than require developers to engage or negotiate with adjoining utilities, municipal systems or rural associations, each developer or affiliate of a developer is given the right to act as a utility, earn a profit from the investment and use the systems to lure customers to buy lots with assurances of low utility rates. Customers purchase the lots and have low rates until the developer or utility operator makes significant, new system investments, is forced to upgrade the system due to environmental obligations or safety or health concerns simply "unloads" the

system on another company once the subdivision is full. Customers face rate shock, occasionally poor service and in some cases public health hazards from substandard service.

The Commission has spent considerable amounts of time dealing with troubled small water and sewer utilities. The Commission has faced systems with exceedingly poor service, operators who have died without sufficient arrangements for the future of the systems, title and asset problems, significant investment needs and entities attempting to take advantage of stranded customers. The Commission must do better in enforcing its rules, in mandating quality service and in making sure companies are compliant with system investment needs.

In this case, the customers of Aqua Missouri should be aware that the increases are occurring after the PSC Staff's audit of the company. The disposition agreement reflects the staff's proposal of rates based on prudent expenses, least cost analysis and appropriate infrastructure investments. The agreement is structured to permit the rate increases, it requires additional improvements to the system and places a two-year moratorium on future rate increases. The customers' attorney, the Public Counsel, did not object to the increases.

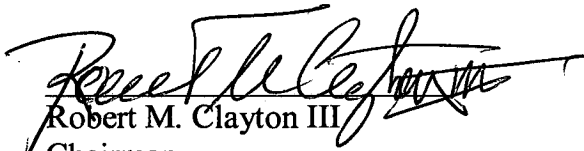
Local Public Hearings in the service territories of Aqua Missouri suggested service quality concerns. The Commission's Staff has investigated all customer complaints and concerns that have been brought to their attention and the Commission will be continually monitoring the quality of Aqua Missouri's services. Formal complaints before the Commission are set for hearing on April 14-16, 2010, and will be addressed in the near future.

The Commission recognizes the difficult economic times that these customers face, but the alternatives in this situation are extremely limited. The Commission's mandate is to make sure that investor owned utilities offer "safe and adequate" service at "just and reasonable rates. While rates are increased in this case and are significantly high, they are based on prudent

expenses and investments in plant and the Commission believes that the new rates are "just and reasonable."

For the foregoing reasons, this Commissioner concurs.

Respectfully submitted,


Robert M. Clayton III
Chairman

Dated at Jefferson City, Missouri
on this 25th day of March 2010.