

**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 SUPPLEMENTAL RESPONSE
TO ORDER DIRECTING SCENARIOS,
SHOWING EFFECT OF RATE MITIGATION**

COMES NOW the Staff of the Missouri Public Service Commission and submits the following Supplemental Response to Order Directing Scenarios.

1. On March 1¹, the Commission issued an Order Directing Scenarios (“the Order”), in which it ordered the Staff to provide the Commission with information concerning the impact on the revenue requirements of Algonquin Water Resources, LLC (“Algonquin” or “Company”) under different scenarios.

2. The Staff filed its initial Response to Order Directing Scenarios on March 6, and then on March 8, it filed its Amended Response to Order Directing Scenarios, which superseded and replaced the initial Response. However, the Amended Response was incomplete, in that it did not address the impact of rate mitigation on Algonquin’s revenue requirements as the Commission had directed in the Order.

3. It would be very time-consuming for the Staff to assess the impact of rate mitigation on each of the scenarios described in the Order, and the Staff believes that this impact would not be great in any of the scenarios, so the time would not be well-spent.

¹ All dates herein refer to the year 2007.

The Staff therefore informally requested that it be permitted to address only the most likely scenario. The Company informed the Staff, via e-mail, that it had no objection to this procedure, and the regulatory law judge authorized the Staff to so proceed.

4. Based upon the Commission's discussion of this case at the March 8 Agenda meeting, the Staff believes that the Commission will resolve this case in a manner that is similar to the resolution described in Scenario B.5 (if the Commission does not order rate mitigation) or in Scenario B.3 (if the Commission orders rate mitigation). Accordingly, the Staff has prepared worksheets to show the impact that ordering rate mitigation will have on revenue requirement (*i.e.* Scenario B.3)

5. Attached hereto and incorporated herein as Attachment A are worksheets showing the impact that ordering a phase-in of the rate increase would have on water rates under Scenario B.3. As shown on page 2 of these worksheets, ordering a phase-in in those circumstances would create an additional revenue requirement of \$1,225.

6. Attached hereto and incorporated herein as Attachment B are worksheets showing the impact that ordering a phase-in of the rate increase would have on sewer rates under Scenario B.3. As shown on page 3 of these worksheets, ordering a phase-in in those circumstances would create an additional revenue requirement of \$1,452.

WHEREFORE, the Staff submits its Supplemental Response to Order Directing Scenarios.

Respectfully submitted,

/s/ Keith R. Krueger

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 9th day of March, 2007.

/s/ Keith R. Krueger

Attachment A

Water Scenario B.3 Worksheets

Algonquin Water Resources of Missouri

Impact of Rate Increase Phase-In

Water Scenario B.3

Page 1 of 2 Pages

| Annualized Revenues at Current Rates | | | | Annualized Revenues at Full New Rate | | | |
|--|---------|-----------------|-------------------|--|----------|-----------------|-------------------|
| Customer Charge Revenues | | | | Customer Charge Revenues | | | |
| Meter Size | Rate | Customers | Revenue | Meter Size | Rate | Customers | Revenue |
| 5/8"-3/4" | \$3.00 | 634 | \$ 22,824 | 5/8"-3/4" | \$9.29 | 634 | \$ 70,678 |
| 1" | \$5.00 | 18 | \$ 1,080 | 1" | \$15.48 | 18 | \$ 3,344 |
| 2" | \$16.00 | 83 | \$ 15,936 | 2" | \$49.53 | 83 | \$ 49,332 |
| 3" | \$30.00 | 1 | \$ 360 | 3" | \$92.87 | 1 | \$ 1,114 |
| 4" | \$50.00 | 1 | \$ 600 | 4" | \$154.78 | 1 | \$ 1,857 |
| Total | | 737 | \$ 40,800 | Total | | 737 | \$ 126,326 |
| Commodity Revenues | | | | Commodity Revenues | | | |
| Meter Size | Rate | Sales | Revenue | Meter Size | Rate | Sales | Revenue |
| 5/8"-3/4" | \$3.02 | 23,175.0 | \$ 69,989 | 5/8"-3/4" | \$5.84 | 23,175.0 | \$ 135,342 |
| 1" | \$3.02 | 6,631.3 | \$ 20,027 | 1" | \$5.84 | 6,631.3 | \$ 38,727 |
| 2" | \$3.02 | 26,908.8 | \$ 81,265 | 2" | \$5.84 | 26,908.8 | \$ 157,147 |
| 3" | \$3.02 | 203.8 | \$ 615 | 3" | \$5.84 | 203.8 | \$ 1,190 |
| 4" | \$3.02 | 1,615.7 | \$ 4,879 | 4" | \$5.84 | 1,615.7 | \$ 9,436 |
| Total | | 58,534.6 | \$ 176,774 | Total | | 58,534.6 | \$ 341,842 |
| sales shown in M gallons | | | | | | | |
| Total Rate Revenues | | | \$ 217,574 | Total Rate Revenues | | | \$ 468,168 |
| Annualized Increase in Rate Revenues | | | \$ 250,593 | | | | |
| Annualized Other Revenues (no change) | | | \$ 6,353 | | | | |
| Total Annualized Revenues to Collect | | | \$ 256,946 | (check to total revenue requirement on Scenario Summary sheet) | | | |

| Annualized Revenues at "Mitigated" New Rates (current rates capped at 100% increase) | | | | Annualized Revenue Deferrals at Mitigated Rates | | | |
|---|----------|------------|------------------|---|---------|------------|------------------|
| Customer Charge Revenues | | | | Customer Charge Revenues | | | |
| Meter Size | Rate | Customers | Revenue | Meter Size | Rate * | Customers | Revenue |
| 5/8"-3/4" | \$6.00 | 634 | \$ 45,648 | 5/8"-3/4" | \$3.29 | 634 | \$ 25,030 |
| 1" | \$10.00 | 18 | \$ 2,160 | 1" | \$5.48 | 18 | \$ 1,184 |
| 2" | \$32.00 | 83 | \$ 31,872 | 2" | \$17.53 | 83 | \$ 17,460 |
| 3" | \$60.00 | 1 | \$ 720 | 3" | \$32.87 | 1 | \$ 394 |
| 4" | \$100.00 | 1 | \$ 1,200 | 4" | \$54.78 | 1 | \$ 657 |
| Total | | 737 | \$ 81,600 | Total | | 737 | \$ 44,726 |

* difference between full rate and rate capped at 100% increase

Commodity Revenue Mitigation Analysis Not Shown Since the Commodity Rate Does Not Need to be Capped
(full new rate is less than twice current rate)

Algonquin Water Resources of Missouri

Impact of Rate Increase Phase-In

Water Scenario B.3

Page 2 of 2 Pages

Calculation of Phase I "Carrying Cost Adder"

| | |
|--|-----------------|
| Phase I Deferral Period (April 2 through October 31) | 7 Months |
| Phase 1 Deferral Period as % of Full Year | 58.33% |
| Phase 1 Deferred Revenues to Include in Carrying Cost Calculation (50% of annualized deferrals x 58.33%) | \$ 13,045 |
| Carrying Costs to Recover in Rates (deferred revenues x weighted cost of capital of 9.39%) | \$ 1,225 |

Carrying Costs to be Recovered Based on Ratio of Each Component's Current Revenues to Total Current Revenues

Customer Charge "Carrying Cost Adder"

| <u>Meter Size</u> | <u>Revenue to Collect</u> | <u>Phase I Billings</u> | <u>Rate Adder</u> |
|-------------------|-------------------------------|-----------------------------|-----------------------|
| 5/8"-3/4" | \$ 685 | 4,438 | \$ 0.15 |
| 1" | \$ 32 | 126 | \$ 0.26 |
| 2" | \$ 478 | 581 | \$ 0.82 |
| 3" | \$ 11 | 7 | \$ 1.54 |
| 4" | \$ 18 | 7 | \$ 2.57 |
| Total | \$ 1,225 | | |

Attachment B

Sewer Scenario B.3 Worksheets

Algonquin Water Resources of Missouri
Impact of Rate Increase Phase-In
Sewer Scenario B.3

Page 1 of 3 Pages

| Annualized Revenues at Current Rates | | | | Annualized Revenues at Full New Rate | | | |
|--------------------------------------|---------|-----------|------------------|--------------------------------------|---------|-----------|-------------------|
| Customer Charge Revenues | | | | Customer Charge Revenues | | | |
| Meter Size | Rate | Customers | Revenue | Meter Size | Rate | Customers | Revenue |
| 5/8"-3/4" | \$6.00 | 232 | \$ 16,704 | 5/8"-3/4" | \$16.55 | 232 | \$ 46,075 |
| 1" | \$10.00 | 3 | \$ 360 | 1" | \$27.59 | 3 | \$ 993 |
| 2" | \$32.00 | 18 | \$ 6,912 | 2" | \$88.29 | 18 | \$ 19,071 |
| Total | | | \$ 23,976 | Total | | | \$ 66,139 |
| Commodity Revenues | | | | Commodity Revenues | | | |
| Meter Size | Rate | Sales | Revenue | Meter Size | Rate | Sales | Revenue |
| 5/8"-3/4" | \$7.57 | 6,371.5 | \$ 48,232 | 5/8"-3/4" | \$17.83 | 6,371.5 | \$ 113,604 |
| 1" | \$7.57 | 380.0 | \$ 2,877 | 1" | \$17.83 | 380.0 | \$ 6,775 |
| 2" | \$7.57 | 6,189.6 | \$ 46,855 | 2" | \$17.83 | 6,189.6 | \$ 110,361 |
| Total | | 12,941.1 | \$ 97,964 | Total | | 12,941.1 | \$ 230,740 |

sales shown in M gallons

Total Rate Revenues **\$ 121,940**

Total Rate Revenues **\$ 296,879**

Increase in Total Rate Revenues **\$ 174,939** (check to total revenue requirement on Scenario Summary sheet)

Algonquin Water Resources of Missouri
Impact of Rate Increase Phase-In
Sewer Scenario B.3

Page 2 of 3 Pages

Annualized Revenues at "Mitigated" New Rates
(current rates capped at 100% increase)

| Customer Charge Revenues | | | |
|---------------------------------|-------------|------------------|------------------|
| Meter Size | Rate | Customers | Revenue |
| 5/8"-3/4" | \$12.00 | 232 | \$ 33,408 |
| 1" | \$20.00 | 3 | \$ 720 |
| 2" | \$64.00 | 18 | \$ 13,824 |
| Total | | | \$ 47,952 |

| Commodity Revenues | | | |
|---------------------------|-------------|-----------------|-------------------|
| Meter Size | Rate | Sales | Revenue |
| 5/8"-3/4" | \$15.14 | 6,371.5 | \$ 96,465 |
| 1" | \$15.14 | 380.0 | \$ 5,753 |
| 2" | \$15.14 | 6,189.6 | \$ 93,711 |
| Total | | 12,941.1 | \$ 195,928 |

sales shown in M gallons

Total Rate Revenues **\$ 243,880**

Annualized Revenue Deferrals at Mitigated Rates

| Customer Charge Revenues | | | |
|---------------------------------|---------------|------------------|------------------|
| Meter Size | Rate * | Customers | Revenue |
| 5/8"-3/4" | \$4.55 | 232 | \$ 12,667 |
| 1" | \$7.59 | 3 | \$ 273 |
| 2" | \$24.29 | 18 | \$ 5,247 |
| Total | | | \$ 18,187 |

| Commodity Revenues | | | |
|---------------------------|---------------|-----------------|------------------|
| Meter Size | Rate * | Sales | Revenue |
| 5/8"-3/4" | \$2.69 | 6,371.5 | \$ 17,139 |
| 1" | \$2.69 | 380.0 | \$ 1,022 |
| 2" | \$2.69 | 6,189.6 | \$ 16,650 |
| Total | | 12,941.1 | \$ 34,812 |

* difference between full rate and rate capped at 100% increase

sales shown in M gallons

* difference between full rate and rate capped at 100% increase

Total Annualized Deferrals **\$ 52,999**

Algonquin Water Resources of Missouri

Impact of Rate Increase Phase-In

Sewer Scenario B.3

Page 3 of 3 Pages

Calculation of Phase I "Carrying Cost Adder"

| | |
|--|-----------------|
| Phase I Deferral Period (April 2 through October 31) | 7 Months |
| Phase 1 Deferral Period as % of Full Year | 58.33% |
| Phase 1 Deferred Revenues to Include in Carrying Cost Calculation (50% of annualized deferrals x 58.33%) | \$ 15,458 |
| Carrying Costs to Recover in Rates (deferred revenues x weighted cost of capital) | \$ 1,452 |

Carrying Costs to be Recovered Based on Ratio of Each Component's Current Revenues to Total Current Revenues

Customer Charge "Carrying Cost Adder"

| Meter Size | Revenue to Collect | Phase I Billings | Rate Adder |
|--------------|-----------------------|---------------------|---------------|
| 5/8"-3/4" | \$ 199 | 1,624 | \$ 0.12 |
| 1" | \$ 4 | 21 | \$ 0.20 |
| 2" | \$ 82 | 126 | \$ 0.65 |
| Total | \$ 285 | | |

Commodity Rate "Carrying Cost Adder"

| Meter Size | Revenue to Collect | Phase I Sales | Rate Adder |
|--------------|-----------------------|------------------|---------------|
| 5/8"-3/4" | \$ 574 | 3,716.7 | \$ 0.15 |
| 1" | \$ 34 | 221.7 | \$ 0.15 |
| 2" | \$ 558 | 3,610.6 | \$ 0.15 |
| Total | \$ 1,166 | | |

sales shown in M gallons

Total \$ 1,452