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December 7, 2007  
Data Center  
Missouri Public  
Service Commission

Aqua Missouri, Inc.  
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December 7, 2007

Secretary of the Commission  
Missouri Public Service Commission  
Attn: Data Center  
P.O. Box 360  
Jefferson City, MO 65102

RE: Ozark Meadows, Aqua Development Company, Inc. d/b/a Aqua Missouri, Inc.  
Requests for Increases in Annual Sewer System Operating Revenues  
MPSC Sewer Utility Small Company Rate Increase Procedures

Dear Secretary:

Ozark Meadows, Aqua Development Company, d/b/a Aqua Missouri, Inc. (the "company") holds a certificate of public convenience and necessity granted by the Missouri Public Service Commission (the Commission), under which the Company provides sewer collection and treatment services in Morgan County. The Company currently provides service to approximately 22 sewer customers within its certified area under the provisions of its Commission-approved tariffs. The Company's customer rates for sewer service were last changed in September, 2006.

Pursuant to 4 CSR 240-3.330, the Commission's rule pertaining to rate increase requests made by small sewer utilities, the Company is hereby requesting an increase of \$9,625 in its annual sewer operating revenues. Based upon current customer rates and customer numbers, this increase represents changes of approximately 83.2% in the Company's annual sewer operating revenues. Details by customer class are as follows:

<u>Customer Classification</u>	<u>Current</u>	<u>Proposed</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Residential	2,732	12,357	9,625	352.30%
Miscellaneous	<u>8,837</u>	<u>8,837</u>	=	<u>0.00%</u>
TOTAL	<u>11,569</u>	<u>21,194</u>	<u>9,625</u>	<u>83.19%</u>

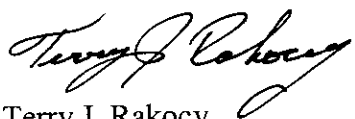
The Company understands that the design of its customers rates, its service charges, its customer service practices, its general business practices and its general tariff provisions will also be reviewed during the Commission Staff's review of the rate increase request, and may thus be the subject of Staff recommendations at the conclusion of the rate increase process.

The specific reasons for the requested increase in the Company's annual operating revenues for sewer service include primarily increases in the utility plant investment, increases in the operation and maintenance expenses, depreciation and taxes. Attached to this letter are schedules that outline the details supporting the company's request for additional revenue.

The company is current on the payment of its Commission annual assessments, since all past and current assessments have been paid in full, and on the filing of its Commission annual reports. Additional, the Company will remain current on these items during the processing of this rate increase request.

Thank-you for your attention to this important matter, and please contact me at your convenience if you need additional information regarding this request.

Sincerely,  
AQUA MISSOURI, INC.

A handwritten signature in black ink, appearing to read "Terry J. Rakocy". The signature is fluid and cursive, with a large, stylized "T" and "R".

Terry J. Rakocy  
President

Copies: Jim Russo, Water and Sewer Department  
Lewis Mills, Office of the Public Counsel

Attachments

Aqua Missouri/Aqua Development Company  
Ozark Meadows-Sewer  
Index

<u>Schedule No.</u>	<u>Schedule Name</u>
OZM-S-1	Proposed Revenue Requirement
OZM-S-2	Cost of Service
OZM-S-3	Rate Base Summary
OZM-S-4	Revenue and Proposed Rate Changes
OZM-S-5	Revenue and Expense Adjustments
OZM-S-6	Income Taxes
OZM-S-7	Plant Detail
OZM-S-8	Depreciation Reserve
OZM-S-9	Weighted Cost of Capital

Aqua Missouri/Aqua Development Company  
Ozark Meadows-Sewer  
Proposed Revenue Requirement

Schedule OZM-S-1  
Page 1 of 1

<u>Line No.</u>		
1	Total Rate Base	28,628
2		
3	Weighted Cost of Capital	<u>8.37%</u>
4		
5	Required Return	2,396
6		
7	Test Year net operating income	<u>(3,470)</u>
8		
9	Operating income deficiency	5,865
10		
11	State income tax	602
12		
13	Federal income tax	<u>3,158</u>
14		
15	Total Revenue Increase	<u>9,625</u>
16		
17	Percent Increase	<u>83.19%</u>
18		
19	Current Revenue	<u>11,569</u>
20	New annual revenue	<u>21,194</u>
21		
22		
23	<u>Computation of Income Tax Gross-Up Factors:</u>	
24	Operating Income before tax	100.00%
25	State income tax rate	<u>6.25%</u>
26	Operating income after state inc tax	93.75%
27	Times Federal income tax rate	<u>35.00%</u>
28	Federal tax	32.81%
29	Plus state income tax rate	<u>6.25%</u>
30	Effective tax rate	<u>39.06%</u>
31		
32	Reciprocal	<u>60.94%</u>

Aqua Missouri/Aqua Development Company  
Ozark Meadows-Sewer  
Cost of Service

Schedule OZM-S-2  
Page 1 of 1

Line No.		9/30/07 Test Year	Adjustments	Adj. Ref.	Proforma Present	Rate Inc. Adjustment	Proforma Proposed
1	<u>Operating Revenues</u>	<u>11,569</u>			<u>11,569</u>	<u>9,625</u>	<u>21,194</u>
2							
3	<u>Operations and Maintenance</u>						
4	Salaries and Wages	8,263	(573)	#1	7,690		7,690
5	Employee Pensions and Benefits	2,226	145	#2	2,371		2,371
6	Purchased Water				-		-
7	Sludge Removal	660			660		660
8	Power	649	96	#3	745		745
9	Chemicals	-			-		-
10	Supplies	483			483		483
11	Engineering				-		-
12	Accounting	30			30		30
13	Legal				-		-
14	Management Fees	501			501		501
15	Other Outside Services	139			139		139
16	Leases	100			100		100
17	Transportation	544	187	#4	731		731
18	Insurance	131			131		131
19	Other Expenses	1,500	-		1,500		1,500
20	Bad Debts	69	57	#6	126		126
21	Subtotal O&M Expenses	15,295			15,207		15,207
22	Depreciation Expense	3,632	(642)	#5	2,990		2,990
23	Amortization of CIAC	(2,051)	120	#5	(1,931)		(1,931)
24	Amortization Expense	(71)			(71)		(71)
25	Taxes Other than Income Taxes	1,970	(399)	#7	1,571		1,571
26	Subtotal-Total exp. before Inc. Tax	18,775			17,766		17,766
27	Income Taxes	-			(2,727)		1,032
28							
29	Total Cost of Service	18,775			15,039		18,798
30							
31	Operating Income	(7,206)			(3,470)		2,396
32							
33							
34	Rate Base	28,628					28,628
35	Return on Rate Base	-25.2%					8.37%

Aqua Missouri/ Aqua Development Company  
Ozark Meadows-Sewer  
Rate Base Summary

Schedule OZM-S-3  
Page 1 of 1

<u>Line No.</u>		<u>Sept. 30, 2007</u>		<u>Adjusted</u>
		<u>Actual</u>	<u>Adjustments</u>	
1	Rate Base Component			
2	Utility Plant in Service	91,613	5,100	96,713
3	Accumulated Provision for Depreciation	(22,129)		(22,129)
4				-
5	Allocation from Admin	<u>1,609</u>	<u>60</u>	<u>1,669</u>
6				
7	Net Utility Plant	71,093		76,253
8				
9	Less:			-
10				-
11	Contributions in Aid of Construction	(64,260)		(64,260)
12	Accum. CIAC amortization	<u>16,635</u>		<u>16,635</u>
13				
14				
15	Total Original Cost Rate Base	<u>23,468</u>		<u>28,628</u>
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				

Aqua Missouri/ Aqua Development Company  
Ozark Meadows- Sewer  
Revenue and Proposed Rate Changes

Schedule OZM-S-4  
Page 1 of 1

<u>Line No.</u>	<u>Customer Classification</u>	<u>Current</u>	<u>Proposed</u>	<u>Dollar Change</u>	<u>Percent Change</u>
1	Residential				
2	(22 customers at \$10.35 *12 months)	2,732	12,357	9,625	352.30%
3	Miscellaneous	8,837	8,837	-	0.00%
10					
11	TOTAL	11,569	21,194	9,625	83.19%
12					
13					
14	<u>Tariff Changes</u>				
15	Residential-metered	7.40	33.47	26.07	352.30%
16	Residential-consumption	0.59	2.67	2.08	352.30%
17	Commercial-flat rate	10.35	46.81	36.46	352.30%
18					
19	<u>Revenue Proof:</u>				
20	22 flat rate customers	2,732	12,357	9,624	352.23%
21					
22					
23					
24					

Line No.

1	<b>Adjustment #1-Labor:</b>	
2	2008 Budgeted Labor	7,690
3	Less: Test year labor	(8,263)
4	Adjustment	(573)

5  
6 To adjust 9/30/07 test year labor to 2008 budgeted labor due to wage increases and  
7 a full work force  
8

9		
10	<b>Adjustment #2- Benefits</b>	
11	2008 Budgeted Benefits	2,371
12	Less: Test year benefits	(2,226)
13	Adjustment	145

14 To adjust 9/30/07 test year benefits to 2008 budgeted benefits due to cost  
15 increases and a full work force  
16

17		
18	<b>Adjustment #3-Power</b>	
19	2008 Budgeted Power	745
20	Less: Test Year Power	(649)
21	Adjustment Needed	96

22  
23  
24 To adjust 9/30/07 test year power to 2008 budgeted amount  
25  
26

27		
28		
29	<b>Adjustment #4- Transportation</b>	
30	2008 Budgeted Transportation	731
31	Less: Test Year Transportation	(544)
32	Adjustment Needed	187

33  
34 To adjust 9/30/07 test year transportation to 2008 budgeted amount due to  
35 fuel, maintenance and vehicle lease costs  
36  
37  
38  
39



Line No.

1	<b>Adjustment #5-Depreciation and CIAC Amortization</b>	
2	Depreciation Expense as calculated	2,990
3	Test year depreciation expense	(3,632)
4	Adjustment	(642)
5		
6	CIAC Amortization as calculated	(1,931)
7	Test year CIAC amortization	2,051
8	Adjustment	120
9		
10	To adjust test year 9/30/07 Depreciation Expense and CIAC Amortization to	
11	Depreciation and Amortization Detail	

13	<b>Adjustment #6- Bad Debt Costs</b>	
14	Test Year Bad Debt Expense	69
15	Adjustment for Rate Increase (Test Year times rate increase percentage)	57
16		
17	To adjust Bad Debt Expense for the impact of the proposed rate increase	

20	<b>Adjustment #7- Other Taxes</b>	
21	Other Taxes as budgeted	1,571
22	Less: Test Year Other Taxes	(1,970)
23	Adjustment	(399)
24		
25	To adjust test year 9/30/07 Other Taxes to 2008 budgeted amount due to changes in	
26	payroll taxes, property taxes, and other assessments	
27		

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Aqua Missouri/ Aqua Development Company  
Ozark Meadows-Sewer  
Income Taxes

Schedule OZM-S-6  
Page 1 of 1

Line No.		Proforma Present	SIT	FIT	Proforma Proposed	SIT	FIT
1	Operating Revenue	11,569			21,194		
2							
3	O&M Expenses	15,207			15,207		
4	Book Depreciation	988			988		
5	Taxes, Other	1,571			1,571		
6	Interest	785			785		
7							
8	Subtotal	18,551			18,551		
9	State taxable income	(6,982)			2,643		
10							
11	State income tax at 6.25%	(436)	(436)		165	165	
12							
13							
14							
15	Federal taxable income	(6,546)			2,477		
16							
17	FIT at 35%			(2,291)			867
18							
19							
20	Net Expense			(2,727)			1,032
21							
22							
23							
24							
25	Interest Expense Calculation:						
26	Test Year Rate Base	28,628			28,628		
27							
28	Times: Weighted cost of debt	2.74%			2.74%		
29		785			785		
30							



Aqua Missouri/ Aqua Development Company  
Ozark Meadows-Sewer  
Depreciation Reserve-Sewer

Schedule OZM-S-8  
Page 1 of 1

<u>Line No.</u>		<u>Rate</u>	<u>Actual</u> <u>9/30/07</u>
1	<u>Intangible Plant</u>		
2	301 Organization		
3	302 Franchise and Consents		
4	303 Miscellaneous Intangible Plant		
5			
6	<u>Land and Structures</u>		
7	310 Land and Land Rights		
8	311 Structures and Improvements		
9			
10	<u>Collection Plant</u>		
11	352.1 Collection Sewer - Force		
12	352.2 Collection Sewer - Gravity	2.0%	(220)
13	353 Other Collection Plant Facilities		
14	354 Services to Customers		
15	355 Flow Measuring Devices		
16			
17	<u>Pumping Plant</u>		
18	362 Receiving Wells and Pump Pits		
19	363 Pumping Equipment	10.0%	(653)
20			
21	<u>Treatment and Disposal</u>		
22	372 Oxidation Lagoon		
23	373 Treatment and Disposal Equipment		
24	374 Plant Sewer	2.5%	(12,850)
25	375 Outfall Sewer Lines		
26	376 Other Treatment and Disposal Plant Ec	2.0%	(6,675)
27			
28	<u>General Plant</u>		
29	391 Office Furniture and Equipment		
30	392 Transportation Equipment		
31	393 Other General Equipment	5.00%	(1,731)
32	Total Sewer Utility Plant In Service		<u>(22,129)</u>
33			
34	Accum Amort of CIAC		<u>16,635</u>
35			
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Aqua Missouri  
Weighted Cost of Capital  
September 30, 2007

Schedule OZM-S-9  
Page 1 of 1

<u>Line No.</u>		<u>Aqua Missouri</u> <u>9/30/07</u>	<u>Percent</u> <u>of Total</u>	<u>Cost</u> <u>Rates</u>	<u>Weighted</u> <u>Cost of Capital</u>
1	Long term debt	1,950,206	48.63%	5.64%	2.74%
2	Short term debt	-	0.00%		0.00%
3	Preferred Equity	-	0.00%		0.00%
4	Common Equity	<u>2,060,041</u>	51.37%	10.95%	<u>5.62%</u>
5					
6					
7	Total Capitalization	<u>4,010,247</u>	<u>100.0%</u>		<u>8.37%</u>
8					
9					
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