

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of)	
Highway H Utilities, Inc. for a)	
certificate of convenience and necessity)	
authorizing it to construct, install, own,)	Case No. WA-2009-0316
operate, control, manage and maintain)	
water and sewer systems for the public in)	
an unincorporated area of Pulaski)	
County, Missouri.)	

HIGHWAY H REPLY TO OPC RESPONSE

COMES NOW Highway H Utilities, Inc. (“Highway H” or “Company”), and, in reply to the Office of the Public Counsel’s (OPC) Response to Staff’s Recommendation, states to the Missouri Public Service Commission (“Commission”) as follows:

1. On May 15, 2009, the Commission Staff filed its Recommendation suggesting that the Commission grant Highway H the water and sewer certificates that are the subject of Cases Nos. WA-2009-0316 and SA-2009-0317 (now consolidated), with certain identified conditions. Highway H has no objection to the conditions identified by Staff.

2. On May 21, 2009, OPC filed its Response to Staff’s Recommendation. Therein, OPC agreed with six of the eight Staff proposed conditions. It proposed that the Staff conditions concerning rates be modified such that the initial rates in the newly certificated area be granted “interim subject to customer refund or credit based on the rates established in [Highway H’s] pending rate cases].” OPC also recommended that the Staff’s condition requiring status reports if permits are not obtained by August 1, 2009, be modified such that those reports are provided on a monthly basis.

3. On May 21, 2009, the Commission issued its order directing that the Staff and Company reply to the OPC Response by June 1, 2009.

INTERIM RATE CONDITION

4. Highway H would suggest three modifications to the OPC's interim subject to refund suggestion. First, because this matter involves both water and sewer service and because the customers of each are almost identical, Highway H believes that its water and sewer rates for the new certificated area should be netted against one another in determining whether or not a refund/credit is warranted. Not doing so could result in a perverse situation where an overall under earning utility is providing rate credits. For example, the Staff Recommendation indicates that its initial review of Highway H's water and sewer rates indicates that Staff may take the position that current water rates are adequate, but that the sewer rate could increase by approximately 89%. If the results of the rate cases are not netted for purposes of the possible refund/credit and the water rate decreases, you could have a situation where a small utility that is under earning, is forced to refund or credit customers based on the water rate decrease. Thus, Highway H believes that the proposed refund/credit should only come into play if rates in the newly certificated area resulting from the small company water and sewer cases show a net decrease, after taking into account the change in rates for both water and sewer.

5. Second, because Highway H will likely add customers in the certificated area between the time a certificate is issued and the time rates are set in the small company rate cases, customer growth will have an impact on the appropriate rates. In determining whether customers have paid an appropriate amount in the interim period, Highway H believes this customer growth in the newly certificated area should be assessed and taken into account.

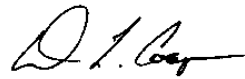
6. Last, it is possible based on the Staff Recommendation that the rate cases will result in rates that would indicate Highway H is under earning during the interim period. If that is indeed the case, in addition to being interim subject to refund or credit, they should also be interim “subject to surcharge,” if the customers turn out to have been under charged during the interim period.

STATUS REPORT CONDITION

8. Highway H has no objection to a requirement that the status reports called for by the Staff Recommendation be filed on a monthly basis.

WHEREFORE, Highway H Utilities, Inc. respectfully requests that the Commission consider this reply and issue such orders as it should find to be reasonable and just.

Respectfully submitted,



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ATTORNEYS FOR HIGHWAY H UTILITIES, INC.

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by electronic mail on this 1st day of June, 2009, to:

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