

*Exhibit No.:*

*Issue: True-Up Revenue Requirement  
Availability Charges*

*Witness: Cary G. Featherstone*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: True-Up Direct Testimony*

*Case Nos.: SR-2010-0110 &  
WR-2010-0111*

*Date Testimony Prepared: April 16, 2010*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**LAKE REGION WATER & SEWER COMPANY**

**CASE NOS. SR-2010-0110 & WR-2010-0111**

*Jefferson City, Missouri  
April 16, 2010*

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CARY G. FEATHERSTONE  
LAKE REGION WATER & SEWER COMPANY  
CASE NOS. SR-2010-0110 & WR-2010-0111**

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1                                   **TRUE-UP DIRECT TESTIMONY**

2                                   **OF**

3                                   **CARY G. FEATHERSTONE**

4                                   **LAKE REGION WATER & SEWER COMPANY**

5                                   **CASE NOS. SR-2010-0110 & WR-2010-0111**

6           Q.     Please state your name and business address.

7           A.     Cary G. Featherstone, Fletcher Daniels State Office Building, 615 East 13<sup>th</sup> Street,  
8 Kansas City, Missouri.

9           Q.     By whom are you employed and in what capacity?

10          A.     I am a Regulatory Auditor with the Missouri Public Service Commission  
11 (Commission).

12          Q.     Are you the same Cary G. Featherstone who filed direct and surrebuttal testimony  
13 in this proceeding?

14          A.     Yes, I am. I filed direct testimony (Staff Exhibit 13) in this case on  
15 January 14, 2010 sponsoring Commission Staff's (Staff) Cost of Service Report (Staff Report)  
16 for Lake Region Water & Sewer Company's (Lake Region, LRWS or Company) rate case filed  
17 on October 7, 2009. I also filed surrebuttal testimony (Staff Exhibit 14) on March 12, 2010 on  
18 the issue of availability charges. The Cost of Service Report was filed on January 14, 2010 and  
19 admitted into evidence as Staff Exhibit 7 and the original Accounting Schedules were filed on  
20 January 14, 2010 and admitted into evidence as Staff Exhibit 8.

21          Q.     What is the purpose of your true-up direct testimony?

22          A.     The purpose of this true-up direct testimony is to provide an update to the  
23 revenue requirement calculations of the Lake Region operating systems of

Shawnee Bend Water and Sewer and Horseshoe Bend Sewer. This true-up direct testimony will also identify the impact of the availability charges on the Shawnee Bend Water and Shawnee Bend Sewer revenues.

Q. Did the Commission authorize a true-up in this case?

A. In its Order dated December 1, 2009, the Commission stated "should it be determined that a true-up proceeding is necessary, the true-up period shall run through March 31, 2010 to reflect any significant and material impacts on Lake Region Water & Sewer's revenue requirement." The Company has a new plant addition on its Horseshoe Bend Sewer operating system that went into service in mid-March that is reflected in the true-up. Staff also reviewed Lake Region's other operating systems of Shawnee Bend Water and Sewer to determine the true-up revenue requirements.

Staff discussed the necessity for the true-up in its direct testimony and identified the importance of examining all significant items to maintain the proper relationship between the revenue, expense and rate base investment components in the ratemaking process.

## **Executive Summary**

Q. Please summarize your true-up direct testimony.

A. Staff has calculated updated revenue requirements of each of the three operating systems of Lake Region based on information through March 31, 2010. The necessity of performing a true-up was addressed in my direct testimony starting at page 16.

The direct case used the period of twelve months ended December 31, 2008 as the test year updated for known and measurable changes through September 30, 2009. Staff examined the material changes that have occurred on these operating systems and included the results in the Exhibit Modeling System (EMS) used to calculate the revenue requirements. The updated

true-up revenue requirements are being separately filed in this case. The following table identifies the results of the true-up if Availability Charges are excluded from the ratemaking process:

Lake Region Operating System	True-up Annual Revenue Requirement through March 31, 2010 at mid-point ROE of 8.5%	True-up Rate Base at March 31, 2010
Shawnee Bend Water	\$ 19,372	\$ 825,676
Shawnee Bend Sewer	101,204	1,299,033
Horseshoe Bend Sewer	32,394	421,820
Total	\$152,970	-----

Source: Staff Exhibit Model System-- Schedules 5 and 7 at time of True-up direct

The basis for the true-up revenue requirements generally can be identified for each of Lake Region's operating systems as:

Shawnee Bend Water:

- Changes in customers resulting in increased revenues and decreasing revenue requirement;
- Increased costs for rate case expense increasing revenue requirement;
- Increase in accumulated depreciation reserve resulting in decrease to rate base and decrease in revenue requirement.

Shawnee Bend Sewer:

- Changes in customers resulting in increased revenues and decreasing revenue requirement;
- Increased costs for rate case expense increasing revenue requirement;
- Increase in accumulated depreciation reserve resulting in decrease to rate base and decrease in revenue requirement.

Horseshoe Bend Sewer:

- Increased costs for rate case expense increasing revenue requirement;
- Increased costs for plant addition resulting in an increase to plant and increase to revenue requirement;
- Increase in accumulated depreciation reserve resulting in decrease to rate base and decrease in revenue requirement.

In addition, Staff has included an amount of Availability Charges in its true-up revenue requirement calculation for the Shawnee Bend Water and Sewer systems. Staff reviewed the information relating to the number of undeveloped or unbuilt lots required to pay availability charges for the Shawnee Bend Water and Sewer service areas identified during the hearings in this case held March 29-31, 2010. At the hearings the intervener Four Seasons Lakesites Property Owners Association (Property Owners) provided information regarding the lots paying availability charges. See Four Seasons POA Hearing Exhibit 3. Lake Region also substantiated the levels of undeveloped lots on its Shawnee Bend service areas paying water and sewer availability charges during the hearings. On April 14, 2010, Property Owners updated and corrected its Exhibit 3 as to the number of improved and unimproved lots sold. See Update to Four Seasons Lakesites Property Owners Association Exhibit 3.

Staff relied on the levels of undeveloped lots provided by the Property Owners to develop the amount of Availability Charges it proposed in testimony presented to the Commission. The levels of undeveloped lots paying Availability Charges originally discussed at the hearings by both the Property Owners and Lake Region, and subsequently updated by Property Owners, is consistent with the levels used by Staff to develop its proposed revenues from

1 Availability Charges. Staff included a level that is conservative based on the information  
2 provided in this case.

3 Staff included the revenues for Availability Charges in the rate case and continues to  
4 believe that is the appropriate approach for the true-up. As such, Staff has developed revenue  
5 requirement for the Shawnee Bend Water and Sewer operating systems using Availability  
6 Charges as a revenue source. Horseshoe Bend Sewer does not have any Availability Charges  
7 relating to its sewer service area.

8 Staff has developed the true-up revenue requirements based on two approaches. The first  
9 approach identifies the items that have occurred since the known and measurable update period  
10 of September 30, 2009 through the true-up period of March 31, 2010. The revenue requirement  
11 calculations for the three operating systems are identified in the EMS runs submitted as a  
12 separate exhibit.

13 The second approach takes the true-up revenue requirements for  
14 Shawnee Bend Water and Sewer operating systems and reflects the Availability Charges  
15 identified for these two service areas. The Horseshoe Bend service area remains unaffected by  
16 the inclusion of availability fees because its operating system does not charge availability fees.

17 Staff is recommending a level of Availability Charges of \$129,600 for  
18 Shawnee Bend Water and \$194,400 for Shawnee Bend Sewer. This amount is consistent with  
19 the level recommended in the rebuttal testimony of Staff witness Jim Merciel and in my  
20 surrebuttal testimony, with the exception of the amount of uncollectibles. At the evidentiary  
21 hearing Lake Region provided testimony that Lake Utility Availability or  
22 Lake Utility Availability 1 collected between 90% and 95% of the Availability Charges billed to

the undeveloped lot owners.<sup>1</sup> Staff has re-calculated the amount of Availability Charges to include in the revenue requirements of the Shawnee Bend Water and Sewer systems based on collections at the of 90% level.

The amounts included in the true-up revenue requirements cases for each of the Shawnee Bend Water and Sewer entities are:

	<u>Gross Availability Charges</u>	<u>Collected Revenues</u>	<u>Net Revenues</u>
Shawnee Bend-- water	\$144,000	90%	\$129,600
Shawnee Bend-- sewer	216,000	90%	194,400
Horseshoe Bend-- sewer	<u>--0--</u>	<u>--0--</u>	<u>--0--</u>
Total	\$360,000	90%	\$324,000

The following table identifies the results of the true-up if the Commission decides Availability Charges should be included in the ratemaking process:

Lake Region Operating System	True-up Annual Revenue Requirement through March 31, 2010 at mid point ROE of 8.5%	True-up Rate Base at March 31, 2010
Shawnee Bend Water	\$--0--	\$ 825,676
Shawnee Bend Sewer	\$--0--	1,299,033
Horseshoe Bend Sewer	32,394	421,820
Total	\$32,394	-----

Source: Staff Exhibit Model System-- Schedules 5 and 7 at time of True-up direct

<sup>1</sup> Lake Utility Availability is an expired fictitious name registration that was registered with the Missouri Secretary of State. Lake Utility Availability 1 is a fictitious name registration on file with the Missouri Secretary of State. John Summer's testified that bills are sent out under the name "Lake Utility Availability". For consistency throughout my testimony I will referred to the agent billing and collecting availability fees as Lake Utility Availability, however, it encompasses both Lake Utility Availability and Lake Utility Availability 1 and any other agent charging availability fees to unbuilt lot owners on the Shawnee Bend area of Lake Ozark, Missouri.



**True-up Process**

Q. Identify the areas Staff examined to develop the true-up revenue requirement results.

A. Staff requested information from the Company to identify any material changes that occurred since September 30, 2009 through the true-up period March 31, 2010. Lake Region identified changes to its plant relating to the completion of a major construction project on the Horseshoe Bend Sewer system. This plant addition was necessary so Lake Region could take over the processing of waste water on its Horseshoe Bend Sewer system from a municipality who provided this service under contract. Lake Region has terminated this contract and is now able to perform this service itself.

Staff member Martin Hummel of the Commission's Water and Sewer Department inspected this plant addition and confirmed it was operating and in service mid-March 2010. Staff requested and reviewed supporting documentation including actual invoices for the costs incurred to construct this plant. Staff did a review of the time spent by Public Water Supply District Number Four of Camden County (Water District) employees on this construction project. Finally, a calculation was made to include an allowance for funds used for construction, or interest during construction. This amount was added to the actual costs of the plant addition.

Staff also reflected additional accumulated depreciation that has occurred since the September 30, 2009 update period. In order to properly identify the cost structure of each of the operating systems the accumulated depreciation through the true-up period March 31, 2010 needs to be included in the determination of the utility rate base.

1 Accumulated deferred income taxes is another rate base item that had to be included to  
2 properly identify the rate base amounts for the three Lake Region operating systems through the  
3 true-up period of March 31, 2010.

4 While the plant addition was the major item causing the need for the true-up, Staff also  
5 examined other material items to include in the true-up revenue requirement calculation. Staff  
6 was provided additional costs relating to the processing of this rate case by Lake Region. These  
7 rate case costs were primarily related to costs charged by the outside counsel to conduct hearings  
8 in this case. Staff received the billings made to Lake Region for the processing of this case and  
9 reflected what it believes are reasonable costs in the revenue requirement calculation. Staff  
10 included an on-going level of these costs based on recovery over a period of five years and  
11 allocated among the three operating systems of Lake Region.

12 Staff also requested information related to changes in customer levels. Three additional  
13 residential customers connected to the Shawnee Bend water and sewer systems. The additional  
14 revenues were reflected in the revenue requirement calculation for the Shawnee Bend water and  
15 sewer systems. There were no changes in customer counts on the Horseshoe Bend system, thus  
16 no changes were made to the revenues calculated for this operating system.

17 Q. Were any cost items not included in the true-up revenue requirement calculation?

18 A. Yes. Staff requested information relating to payroll and payroll related benefits  
19 but no changes occurred since the September 30, 2009 time period. As such, no changes have  
20 been made for payroll costs to the true-up EMS runs for any of the three operating systems.

21 Staff also reviewed costs relating to property taxes but found that the levels included in  
22 the direct filing were consistent with the amounts paid in December 2009. Therefore, no  
23 additional amount for property taxes was necessary for the true-up revenue requirements.

1 Q. Was any other item examined in the true-up relating to Lake Region?

2 A. Yes. Staff has included in the true-up revenue requirement calculation for  
3 Shawnee Bend Water and Sewer operations an amount for Availability Charges. This number  
4 has been revised from the level proposed in the original phase of this case presented at the time  
5 of hearings. At those hearings, Lake Region identified certain costs that needed to be considered  
6 as an offset to the revenues of the Availability Charges. One of the costs Staff reduced  
7 Availability Fees for was the uncollectible factor of 10% identified by Lake Region's President,  
8 Dr. Vernon Stump. Dr. Stump also identified other estimates for costs relating to the  
9 management and administrative functions in collecting availability fees.

10 Staff initially included in its case at the time of the March 29th hearings an amount of  
11 availability fees which did not include any costs relating to the management and collection of  
12 these fees. Since there are no availability charges for the Horseshoe Bend Sewer system there  
13 were no changes to the level of that operating system's revenues.

14 Q. What is the level of availability charges included in the true-up  
15 revenue requirement?

16 A. Staff has included an amount of Availability Charges in the true-up revenue  
17 requirement calculation for Shawnee Bend Water of \$129,600 and Shawnee Bend Sewer  
18 of \$194,400.

19 Q. How did Staff determine the level of Availability Charges to include in  
20 the true-up?

21 A. After the evidentiary hearing in this case concluded, Staff prepared discovery  
22 questions and had discussions with Lake Region personnel to identify information regarding  
23 items to be considered in the true-up. As one of the areas for review in the true-up Staff issued

several data requests to Lake Region for information for the Availability Charges. Lake Region provided minimal information relating to Availability Charges, and did not provide any concrete numbers as of the date of filing this testimony. Consequently, Staff has had to continue to rely on the information supplied by the Property Owners and information learned at the hearings. Based on the record in this case, it is clear that the level of Availability Charges identified by the Property Owners for the Shawnee Bend service areas is accurate and can reasonably be used to determine revenues relating to these fees.

### **True-up Recommendation Results**

Q. What are the results of the true-up?

A. The following table identifies the results of the true-up excluding the issue regarding Availability Charges which will be discussed later in this true-up direct:

Lake Region Operating System	True-up Annual Revenue Requirement through March 31, 2010 at mid-point ROE of 8.5%	True-up Rate Base at March 31, 2010
Shawnee Bend Water	\$ 19,372	\$ 825,676
Shawnee Bend Sewer	101,204	1,299,033
Horseshoe Bend Sewer	32,394	421,820
Total	\$152,970	-----

Source: Staff Exhibit Model System-- Schedules 5 and 7 at time of True-up direct

If availability fees are used to determine the rates for Shawnee Bend Water and Sewer service areas, then the amounts shown in the table would be completely offset resulting in no rate increase for the Shawnee Bend Water and Shawnee Bend Sewer operating systems of Lake Region.

1        Considering the Availability Charges for each of the entities above, these amounts will  
2 more than off-set the proposed revenue requirements for the Shawnee Bend Water and Sewer.  
3 The proposed increase supported by Staff for Shawnee Bend Water is \$19,372 and for  
4 Shawnee Bend Sewer is \$101,204. If Availability Charges are used as an offset to the revenue  
5 requirements in these two Lake Region operating systems there would be no rate increases.

6        Since there are no Availability Charges for Horseshoe Bend Sewer as noted above, the  
7 proposed true-up revenue requirement of \$32,394 for that operating entity should go into effect  
8 with no corresponding reduction.

9        The following table identifies the results of the true-up if the Commission decides  
10 Availability Charges should be included in the ratemaking process:

Lake Region Operating System	True-up Annual Revenue Requirement through March 31, 2010 at mid-point ROE of 8.5%	True-up Rate Base at March 31, 2010
Shawnee Bend Water	\$--0--	\$ 825,676
Shawnee Bend Sewer	\$--0--	1,299,033
Horseshoe Bend Sewer	32,394	421,820
Total	\$32,394	-----

11        Source: Staff Exhibit Model System-- Schedules 5 and 7 at time of True-up direct

12        Q.        What were the revenue requirements for each operating system based on the  
13 update period through September 30, 2009?

14        A.        After the direct filing in January, Staff made revisions and corrections to its cases  
15 based on discussions with the Company and other parties resulting in the following revenue  
16 requirements by operating system:

Lake Region Operating Entity	Annual Revenue Requirement at mid-point ROE of 8.5%	Rate Base at September 30, 2009
Shawnee Bend Water	\$20,549	\$929,678
Shawnee Bend Sewer	\$108,076	\$1,457,651
Horseshoe Bend Sewer	\$18,125	\$335,343

Source: Staff Exhibit Model System-- Schedules 5 and 7 at time of prehearing

Staff changed its revenue requirement calculation after the January 14, 2010 filing as result of revisions, error and omissions. New runs were developed using Staff's revenue requirement model EMS, based on discussions with the Parties and follow up review of the three revenue requirement calculations by Staff. The EMS runs supporting the above amounts for each of Lake Region's operating systems were provided to the Company and the Office of Public Counsel (Public Counsel) the week of February 1, 2010 and supplied to all parties at the prehearing conference held on February 8, 2010.

Q. What were the original amounts recommended by Staff?

A. For comparison purposes, the following revenue requirements were filed in Staff's direct rate case filing made on January 14, 2010:

Lake Region Operating Entity	Annual Revenue Requirement at mid-point ROE of 8.5%	Rate Base at September 30, 2009
Shawnee Bend Water	\$49,503	\$1,213,426
Shawnee Bend Sewer	\$123,003	\$1,558,599
Horseshoe Bend Sewer	(\$55,814)	\$371,471
Allowance	<u>60,000</u>	
Total Revenue Requirement	\$4,186	

Source: Staff Exhibit Model System-- Schedules 5 and 7

1           However, Staff included a \$60,000 allowance for known and measurable changes for the  
2 Horseshoe Bend Sewer system which resulted in a \$4,186 recommended increase. The  
3 allowance amount was included in the initial direct filing primarily to estimate the revenue  
4 requirement impact of the plant addition for the Horseshoe Bend Sewer system.

5           Schedule 1 to the true-up direct is a comparison of the Company's original and revised  
6 request to the Staff's revenue requirements when it filed the direct testimony in January 2010, at  
7 the time of hearings and the true-up direct.

## 8 **Availability Charges**

9           Q.    What level of Availability Charges has Staff included in the  
10 Lake Region Water and Sewer rate cases?

11           A.   Staff has included a total level of Availability Charges in the rate calculation of  
12 \$324,000 [\$360,000 less 10% uncollectibles]. This amount was determined by taking the  
13 number of undeveloped lots by the price charged each lot owner. The undeveloped lot owners  
14 are required to pay availability fees of \$10 per month (\$120 annually) for ability to connect to  
15 Lake Region's water system and \$15 per month (\$180 annually) for the ability to connect to its  
16 sewer system. Staff used 1,200 undeveloped lots as a conservative level to calculate the amount  
17 of availability fees it is recommending be used to set rates for Shawnee Bend Water and Sewer.  
18 This results in a revenue amount of \$144,000 for water [1,200 undeveloped lots times \$120 per  
19 year for water], and \$216,000 for sewer [1,200 undeveloped lots times \$180 per year for sewer]  
20 or a total of \$360,000. These amounts represent an annualized amount of a full years' level of  
21 Availability Charges for the Shawnee Bend systems.

The annual total for water and sewer Availability Charges were each assigned to the Shawnee Bend Water and Sewer service areas based on the level of availability fees charged for water and sewer services.

Q. Did Staff make any adjustments to the amounts of the Availability Charges?

A. Yes. Dr. Stump testified at the initial hearings that approximately 90% of Availability Charges were typically collected so there is an approximate 10% uncollected amount that would need to be deducted to arrive at the net revenues included in the true-up revenue requirement calculation [March 31, 2010 hearings-- Stump testimony, Transcript volume 5 at page 571].

The actual amounts included in the true-up revenue requirements cases for each of the Shawnee Bend Water and Sewer entities reflect the amounts collected from the undeveloped lot owners as:

	<u>Gross Availability Charges</u>	<u>Collected Revenues</u>	<u>Net Revenues</u>
Shawnee Bend-- water	\$144,000	90%	\$129,600
Shawnee Bend-- sewer	216,000	90%	194,400
Horseshoe Bend-- sewer	<u>--0--</u>	<u>--0--</u>	<u>--0--</u>
Total	\$360,000	90%	\$324,000

Considering the Availability Charges for each of the entities above, these amounts will more than off-set the proposed true-up revenue requirements for the Shawnee Bend Water and Sewer systems. If the Commission adopts the inclusion of Availability Charges in the rate determination of Shawnee Bend Water and Sewer operating systems, then Lake Region's proposed increases would be completely offset for either of these



1 systems. If the above Availability Charges are used as an offset to the true-up revenue  
2 requirements in these two Lake Region operating systems there would be no rate increases.

3 Since there are no Availability Charges for Horseshoe Bend Sewer as noted above, the  
4 proposed true-up revenue requirement of \$32,394 for that operating entity should go into effect  
5 with no corresponding reduction.

6 Q. Does Staff have another recommendation regarding availability fees?

7 A. Yes. To the extent the Commission does not agree that Availability Charges  
8 should be included in Lake Region's rate structure then Staff proposes to assign appropriate costs  
9 to a fictitious name entity called Lake Utility Availability (Lake Utility) as identified in my  
10 surrebuttal testimony starting at page 11 (Lake Utility Availability was later referred to as  
11 Lake Utility Availability 1, therefore, through the remainder of this true-up direct testimony I  
12 will continue to refer this entity as Lake Utility). This fictitious name registration was  
13 established by the owners of Lake Region to bill and collect Availability Charges from lot  
14 owners within the service areas of Lake Region. All costs associated with the billing and  
15 collection as well as the administration of the Availability Charges should be appropriately  
16 assigned to the Lake Utility just like the assignment of costs to Lake Region and its other  
17 regulated affiliate, Ozark Shores Water Company (Ozark Shores). This alternative proposal will  
18 be discussed later in this true-up direct testimony.

19 Q. Did the Company propose to include availability fees in its filing?

20 A. No. Lake Region's proposed revenue increase in this case does not reflect the  
21 inclusion or even recognize the existence of availability fees.

22 Q. How did Staff determine the level of Availability Charges to include in rates  
23 resulting from the true-up?

1           A.     The amount of Availability Charges proposed to be included in the Lake Region  
2 cost of service was based on applying the total yearly amounts billed to undeveloped lot owners  
3 by a conservative level of these undeveloped lots on the Shawnee Bend Water and Sewer service  
4 areas. The monthly amount charged to each unconstructed lot is \$15 per month fee for sewer  
5 availability and \$10 for water availability. The amounts charged for water and sewer services  
6 were identified at pages 5 and 6 of the Amendment to the Third Amended and Restated  
7 Declaration of Restrictive Covenants (Restrictive Covenants). This amendment was included as  
8 Attachment 4 to the rebuttal testimony of Staff witness James A. Merciel, Jr.

9           Q.     Where did Staff get the information on the unconstructed lots?

10          A.     Staff reviewed the Property Owners information on the number of members who  
11 own property within the service area of Lake Region to access membership fees for its  
12 organization. Their records are broken out between constructed and unconstructed lots. Staff  
13 used the most conservative number of unconstructed lots and the monthly amounts for water and  
14 sewer services identified in the Restrictive Covenants to determine the Availability Charges.  
15 The number of undeveloped lots Staff used to calculate the availability fees is the lower end of  
16 the 1,200 to 1,300 range presented in the testimony of Lake Region and the Property Owners  
17 during the hearings. Dr. Stump testified as Lake Region's President that the range of  
18 undeveloped lots was between 1,200 and 1,300 at the March 31, 2010 initial hearing  
19 (Dr. Stump's testimony-- Transcript 571). Another source of the number of unconstructed lots  
20 was found during the public hearing held January 26, 2010. One of the customers testified that  
21 Lake Region had "almost 1,300 undeveloped lots, and if, in fact, each of those lots pays  
22 \$300 availability fees, that sum might approach 385, \$390,000..." [Transcript volume 2 at  
23 page 19, Public Hearing January 26, 2010-- testimony of Mike Becker]. Staff has used what it

believes is a conservative number to approximate the Availability Charges for the Lake Region service area.

Q. Did the Property Owners provide additional information regarding the number of undeveloped lots?

A. Yes. On April 14, 2010 this intervening party submitted an update to its original exhibit (Exhibit 3) where it provided the number of undeveloped lots (the Property Owners refer to these lots as "Unimproved Lots"). While the 2010 level of 1,285 undeveloped lots did not change some of the other years did.

Q. What is the level of availability fees that Lake Utility billed its customers?

A. In examining the updated Property Owners Exhibit 3, the undeveloped lots range from a low of 1,285 in 2010 to a high of 1,427 in 2003. The following table represents the information provided in the Property Owners updated Exhibit 3 as well as calculations made by Staff quantifying the water and sewer availability fees for the Shawnee Bend service area:

<b>Year</b>	<b>Unimproved Sold Lots</b>	<b>Annual Water Availability Charges-- \$120</b>	<b>Annual Sewer Availability Charges-- \$180</b>	<b>TOTAL</b>
2003	1,427	\$171,240	\$256,860	\$428,100
2004	1,392	167,040	250,560	417,600
2005	1,361	163,320	244,980	408,300
2006	1,318	158,160	237,240	395,400
2007	1,298	155,760	233,640	389,400
2008	1,289	154,680	232,020	386,700
2009	1,287	154,440	231,660	386,100
2010	1,285	154,200	231,300	385,500
<b>TOTAL</b>		<b>\$1,278,840</b>	<b>\$1,918,260</b>	<b>\$3,197,100</b>

Source: Property Owners Updated Exhibit 3

1 Q. Would Staff prefer to get the information on number of undeveloped lots from  
2 Lake Region?

3 A. Yes. The very best information regarding utility operations comes from the utility  
4 itself. Lake Region's President, Dr. Stump has access to the number of undeveloped lots which  
5 availability fees are charged and obviously detailed knowledge on the subject exhibited by his  
6 testimony at the March 31, 2010 hearings. The General Manager of Lake Region also has access  
7 to the level of availability fees billed each year through the direct reporting of a subordinate  
8 charged with the task of not only billing and recording of the collections of Lake Utility but also  
9 of Lake Region, Ozark Shores and the Water District.

10 Despite repeated requests to Lake Region to provide the billings and collections  
11 information on availability fees - information that is readily available to the utility itself, Staff  
12 has had to rely on getting this information from the Property Owners. Most disappointing is that  
13 Staff has been forced to rely on getting information from an intervening group that is not even  
14 regulated by this Commission.

15 **True-Up Discovery**

16 Q. Did Staff request additional information from Lake Region regarding  
17 Availability Charges?

18 A. Yes. As soon as the initial hearings concluded on March 31, 2010, Staff prepared  
19 and submitted several data requests to Lake Region. Much of the information requested was  
20 based on testimony provided at the initial hearings, primarily by Lake Region's principle witness  
21 on this issue, Dr. Vernon Stump. Staff submitted the data requests on Availability Charges on  
22 April 1, 2010. The Company issued its formal objection regarding Staff's data requests on  
23 April 6, 2010.

The following are the data requests submitted to Lake Region and the objections the Company made to each of Staff's data requests:

**Staff Data Request 94 issued April 1, 2010:**

With respect to the fictitious name registration entity referred to as Lake Utility Availability 1, under this name or Lake Utility Availability (both referred to as Lake Utility), **please provide all costs associated with the activities and functions of this entity incurred in the last two years.** Please provide all supporting documentation on how the costs were allocated, assigned and determined. The costs should include but not be limited to the following: 1 Payroll and Management Costs-- a.) employee costs or allocations including payroll costs such as wages and salaries and any related payroll benefits for any employees, consultants, contractors, or any one providing any and all services to the functions and activities of Lake Utility. b). executive management costs or allocations relating to the supervision of any and all employees, consultants, contractors, or any one providing any services to the functions and activities of Lake Utility or involved in any aspect of the operations in any capacity of Lake Utility. c). direct day to day supervision and management oversight of any and all employees, consultants, contractors, or any one providing any service to the functions and activities of Lake Utility or involved in any aspect of the operations in any capacity of Lake Utility 2. Office Costs-- a). identify the costs of the use of office space of the Public Water Supply District Number Four of Camden County (Water District) for each of the following companies, corporations and entities including any fictitious named companies of Lake Region Water and Sewer Company, Ozark Shores Water Company, Water District and Lake Utility and how amount of space was allocated between each of these entities b). all costs or allocations relating to the office equipment and furniture needed to perform all activities of Lake Utility c). identify all office supplies costs such as paper used to operate and administer the Lake Utility activities and operations d). printing costs relating to the billing function of Lake Utility for billing of availability charges (fees) e). postage costs relating to the issuance of bills for Lake Utility f). processing costs for collection, receipts and posting into accounting records relating to functions and operations of Lake Utility and all activities regarding availability charges (fees). g). identify all costs or allocations relating to the use of the telephone and all other communication devices needed to conduct the business functions of Lake Utility h). identify all costs or allocations relating to the use of the computer equipment needed to conduct business functions of Lake Utility i). identify all costs or allocations relating to the use of the computer software costs including but not limited to billing programs, receivables program, collection programs needed to conduct

business functions of Lake Utility j). identify any and all other costs such as capital costs needed to conduct business functions of Lake Utility

[emphasis added]

**Lake Region's Objection to Staff Data Request 94 made April 6, 2010:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. Lake Region does not maintain records of costs associated with the unregulated activities of its shareholders. The request seeks records purportedly in the possession or control of persons or entities not parties to the case. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 94 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: 1. All costs recorded on the books of LRWS are included in the General Ledger files provided to Staff in response to DR 0002 on October 30, 2009 and DR 0045 on November 13, 2009. These files contain a complete copy of LRWS' general ledger from 1998 through September 30, 2009. The direct costs are identified in accounts 921.00 Office Supplies & Other Expenses and 921.50 Billing Expenses. Attached is the calculation referred to by Dr. Stump while on the witness stand. 1a. LRWS has made no such allocation. 1b. LRWS has made no such allocation. 1c. LRWS has made no such allocation. 2a. LRWS has made no such allocation. 2b. LRWS has made no such allocation. 2c. LRWS has made no such allocation. 2d. LRWS has made no such allocation and see answer to 1 above. 2e. See 1 above 2f. LRWS has made no such allocation. 2g. LRWS has made no such allocation. 2h. LRWS has made no such allocation. 2i. LRWS has made no such allocation. 2j. LRWS believes the answer is none.

**Staff Data Request 95 issued April 1, 2010--**

1. Does Lake Utility Availability 1, under this fictitious name registration or Lake Utility Availability, **bill availability charges (fees) to lot owners in Lake Region Water and Sewer Co's or Ozark Shores Water Company's service areas for any developer or other third party(ies) collecting the fees?** If so, **please identify and quantify a). the amount of dollars billed and collected and paid to developers or others,** and 2) the amount of dollars billed and collected from lot owners in the water districts or other utilities' service areas. 2. Does Lake Utility Availability

1, under this fictitious name registration or Lake Utility Availability, bill availability charges (fees) to lot owners within the service areas of Public Water Supply District Number Four of Camden County (Water District) or any other non-Lake Region Water and Sewer Company and/or non-Ozark Shores Water Company entity? If so, please identify and quantify a). the amount of dollars billed and collected and paid to developers or others, and 2) the amount of dollars billed and collected from lot owners in the water districts or other utilities' service areas.

[emphasis added]

**Lake Region's Objection to Staff Data Request 95:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. Lake Region does not maintain any records associated with unregulated activities engaged in by its shareholders. The request seeks records purportedly in the possession or control of persons or entities not parties to the case. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 95 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: Lake Region does not have this information in its books and records and does not have the authority to provide information regarding personal financial information of its shareholders.

**Staff Data Request 96 issued April 1, 2010:**

Identify by year the contributed plant and booked cost donated by developers or any other person or entity for a). Lake Region Water and Sewer Company broken out by Shawnee Bend Water, Shawnee Bend Sewer and Horseshoe Bend Sewer and b). Ozark Shores Water Company

**Lake Region's Objection to Staff Data Request 96:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. The request seeks information concerning Ozark Shores Water Company which is not a party to this proceeding. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference

herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 96 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: a) This information is contained in the general ledger files referenced in response to DR 0094. b) OSWC is not a party to this case. However, Company provided the general ledger for 1998 through September 30, 2009 at the same time it provided LRWS's general ledger.

**Staff Data Request 97 issued April 1, 2010:**

1a). Has the **developer of Lake Region Water and Sewer Company fully recovered the investment made in the utility infrastructure (water distribution system and the sewer collection system) that was donated to Lake Region as contributed plant?** b). If so, **when did this occur.** c). If not, **how much has the developer collected in availability charges (fees) towards the recovery of the utility infrastructure** (water distribution system and the sewer collection system) that was donated to Lake Region as contributed plant. d). If not, **how much more availability charges (fees) does the developer have to collect to recover the utility infrastructure** (water distribution system and the sewer collection system) that was donated to Lake Region as contributed plant. e). If not, when is it expected that the developer will fully recover the investment in the utility infrastructure (water distribution system and the sewer collection system) that was donated to Lake Region as contributed plant? 2a). Has the developer of Ozark Shores Water Company fully recovered the investment made in the utility infrastructure (water distribution system) that was donated to Ozark Shores as contributed plant? b). If so, when did this occur. c). If not, how much has the developer collected in availability charges (fees) towards the recovery of the utility infrastructure (water distribution system) that was donated to Ozark Shores as contributed plant. d). If not, how much more availability charges (fees) does the developer have to collect to recover the utility infrastructure (water distribution system) that was donated to Ozark Shores as contributed plant. e). If not, when is it expected that the developer will fully recover the investment in the utility infrastructure (water distribution system) that was donated to Ozark Shores as contributed plant?

[emphasis added]



**Lake Region's Objection to Staff Data Request 97:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. Lake Region does not maintain records of billings associated with the developer of the real estate projects that may be in Lake Region's service territories. The request seeks records purportedly in the possession or control of persons or entities not parties to the case, and may be subject to special protection under confidentiality agreements. Ozark Shores Water Company is not a party to this case and inquiries concerning its utility infrastructure are beyond the scope of permitted discovery. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 97 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: LRWS does not have this information.

**Staff Data Request 98 issued April 1, 2010:**

1. Identify all the **number of undeveloped lots that Lake Utility Availability 1**, under this fictitious name registration or Lake Utility Availability, is **billing availability charges (fees) by year since the inception of availability fees** to the most current available broken out by each subdivision in Lake Region Water and Sewer Company's service area, or any other basis available paying such fees to Lake Utility. 2. Identify the total amount of availability charges (fees) billed by Lake Utility Availability 1, under this fictitious name registration or Lake Utility Availability, by year since the inception of availability fees to most current available broken out by each subdivision in Lake Region Water and Sewer Company's service area, or any other basis available paying such fees to Lake Utility. 3. Identify the total amount of availability charges (fees) collected by Lake Utility Availability 1, under this fictitious name registration or Lake Utility Availability, by year since the inception of availability fees to most current available broken out by each subdivision in Lake Region Water and Sewer Company's service area, or any other basis available paying such fees to Lake Utility.

[emphasis added]

**Lake Region's Objection to Staff Data Request 98:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. Lake Region does not maintain any records associated with unregulated activities engaged in by its shareholders including the number of the lots that may be subject to availability fees provided for by restrictive covenants imposed on real property. The request seeks records purportedly in the possession or control of persons or entities not parties to the case, and may be subject to special protection under confidentiality agreements. Ozark Shores Water Company is not a party to this case and inquiries concerning its utility infrastructure are beyond the scope of permitted discovery. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 98 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: LRWS does not have this information.

**Staff Data Request 99 issued April 1, 2010:**

1. Identify all the **number of undeveloped lots that Ozark Shores Water Company is billing availability charges (fees) by year since the inception of availability fees** to most current available broken out by each subdivision in its service area or any other basis available paying such fees to Ozark Shores. 2. Identify the total amount of availability charges (fees) billed by Ozark Shores Water Company by year since the inception of availability fees to most current available broken out by each subdivision in its service area or any other basis available paying such fees to Ozark Shores. 3. Identify the total amount of availability charges (fees) collected by Ozark Shores Water Company by year since the inception of availability fees to most current available broken out by each subdivision in its service area or any other basis available paying such fees to Ozark Shores.

[emphasis added]

**Lake Region's Objection to Staff Data Request 99:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. The request seeks information concerning Ozark Shores Water Company which is not a party to this proceeding. To the extent matter in

1 this data request has been requested in a previously submitted and  
2 objected to data request, Lake Region reasserts and adopts by reference  
3 herein any previous objection to such a request. A response to this data  
4 request, if any, shall be subject to, and without waiver of, the objections  
5 raised herein.

6 **Lake Region's Response to Staff Data Request 99 provided April 9, 2010:**

7 Without waiver of the objections filed April 6, 2010, the Company  
8 provides the following response: LRWS does not have this information.  
9 OSWS is not a party to this case. Company believes these amounts are  
10 contained in the OSWC Annual Report to the Missouri Public Service  
11 Commission through 2004. Amounts from 2005 forward are contained in  
12 response to Staff Data Request 67.

13 **Staff Data Request 100 issued April 1, 2010:**

14 1. Identify all the number of undeveloped lots that Public Water Supply  
15 District Number Four of Camden County (Water District) is billing  
16 availability charges (fees) by year since the inception of availability fees  
17 to most current available broken out by each subdivision in its service area  
18 or any other basis available paying such fees to Water District. 2. Identify  
19 the total amount of availability charges (fees) billed by Public Water  
20 Supply District Number Four of Camden County (Water District) by year  
21 since the inception of availability fees to most current available broken out  
22 by each subdivision in its service area or any other basis available paying  
23 such fees to Water District. 3. Identify the total amount of availability  
24 charges (fees) collected by Public Water Supply District Number Four of  
25 Camden County (Water District) by year since the inception of availability  
26 fees to most current available broken out by each subdivision in its service  
27 area or any other basis available paying such fees to Water District.

28 **Lake Region's Objection to Staff Data Request 100:**

29 Objection: This request is irrelevant and not calculated to lead to the  
30 discovery of relevant evidence. It seeks matter beyond the scope of  
31 discovery. The request seeks information concerning Public Water Supply  
32 District Number Four of Camden County which is not a party to this  
33 proceeding. To the extent matter in this data request has been requested in  
34 a previously submitted and objected to data request, Lake Region reasserts  
35 and adopts by reference herein any previous objection to such a request. A  
36 response to this data request, if any, shall be subject to, and without waiver  
37 of, the objections raised herein.

**Lake Region's Response to Staff Data Request 100 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: LRWS does not have this information.

**Staff Data Request 101 issued April 1, 2010:**

1. For the end of each year from 1996 to 2009, and currently, identify how many lots or condominium units were fronted by the water distribution systems for Lake Region Water and Sewer Company and Ozark Shores Water Company. 2. For the end of each year from 1996 to 2009, and currently, identify how many lots or condominium units were fronted by Lake Region's sewer collection systems on Shawnee Bend, and on Horseshoe Bend.

**Lake Region's Objection to Staff Data Request 101:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. The request seeks information concerning Ozark Shores Water Company which is not a party to this proceeding. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 101 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: 1. LRWS does not track this information. Company believes this information is readily available to Staff by comparing public records at the Camden County Courthouse to the billing records supplied electronically to Staff. 2. LRWS believes the answer to this question is the same as to 1 above.

**Staff Data Request 102 issued April 1, 2010:**

1. For the end of each year from 1996 to 2009, and currently, **state how many feet of water distribution mains Lake Region Water and Sewer Company owns, operates or controls?** 2. For the end of each year from 1996 to 2009, and currently, state how many feet of collecting sewers Lake Region Water and Sewer Company owns, operates or controls on Shawnee Bend, and on Horseshoe Bend? 3. For the end of each year from 1996 to 2009, and currently, state how many feet of water distribution system mains Ozark Shores Water Company owns, operates or controls? 4. For the end of each year from 1996 to 2009, and currently, state how

many feet of water distribution mains Public Water Supply District Number Four of Camden County (Water District) owns, operates or controls? 5. For the end of each year from 1996 to 2009, and currently, state how many feet of collecting sewer Public Water Supply District Number Four of Camden County (Water District) owns, operates or controls?

[emphasis added]

**Lake Region's Objection to Staff Data Request 102:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of discovery. The request seeks information concerning Ozark Shores Water Company and Public Water Supply District Number Four neither of which are parties to this proceeding. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection 4 to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 102 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: 1. LRWS believes this information is in the Annual Report to the Missouri Public Service Commission. 2. See 1 above. 3. Ozark Shores Water Company is not a party to this case. See 1 above. 4. LRWS does not have this information and does not believe it is readily available from the Water District. 5. See 4 above.

**Staff Data Request 103 issued April 1, 2010:**

1. Identify the total amount of repairs and maintenance costs relating to the collecting sewer pipeline maintenance for Lake Region Water and Sewer Company by a). Shawnee Bend Water b). Shawnee Bend Sewer and c). Horseshoe Bend Sewer for each of the past five years. 2. Identify the total amount of repairs and maintenance costs relating to the water main pipeline maintenance for Ozark Shores Water Company for each of the past five years. 3. Identify the total amount of repairs and maintenance costs relating to the water main pipeline and collecting sewer pipeline maintenance for Public Water Supply District Number Four of Camden County (Water District) for each of the past five years.

**Lake Region's Objection to Staff Data Request 103:**

Objection: This request is irrelevant and not calculated to lead to the discovery of relevant evidence. It seeks matter beyond the scope of

discovery. The request seeks information concerning Ozark Shores Water Company and Public Water Supply District Number Four neither of which are parties to this proceeding. To the extent matter in this data request has been requested in a previously submitted and objected to data request, Lake Region reasserts and adopts by reference herein any previous objection to such a request. A response to this data request, if any, shall be subject to, and without waiver of, the objections raised herein.

**Lake Region's Response to Staff Data Request 103 provided April 9, 2010:**

Without waiver of the objections filed April 6, 2010, the Company provides the following response: 1. The total costs are contained in the general ledgers referred to in response to Data Request 94. Company does not track the expense in the manner indicated in a, b & c. 2. The total costs are contained in the general ledgers referred to in response to Data Request 94. 3. LRWS does not have this information.

Q. Did Lake Region identify the amount of Availability Charges billed to and collected from the undeveloped lot owners?

A. No. This information was specifically requested in Staff Data Request 95. Lake Region and its affiliates refused to supply this information even though the Company's President provided estimates in the range of 1,200 to 1,300 undeveloped lots in testimony at the March 31, 2010 initial hearing (Dr. Stump's testimony--Transcript volume 5 at page 571). As a note, Staff has used the lower figure of 1,200 undeveloped lots whose owners pay availability fees to base its revenues in this case. This level of undeveloped lot owners paying availability is the most conservative of the levels discussed by the Company in hearings and less than the levels provided by the Property Owners. Staff has chosen to use the smaller of the undeveloped lots to ensure the levels used are ones in existence. This is especially important since Lake Region, its President or any of its affiliates have refused to provide the information necessary to determine the actual number of undeveloped lot owners who are paying the availability fees. Ironically, the Water District has this information since it is the entity in which the billing and collections are being performed. Mr. John Summers has access to this

1 information as the General Manager of the Water District and the employee identified as the  
2 individual actually performing the tasks necessary for the collection of availability fees directly  
3 reports to him.

4 Q. Is it necessary to identify costs to process availability fees?

5 A. No. As long as availability fees are used in the rate determination and treated like  
6 any other revenue source specific costs for billing, collection and administration do not have to  
7 be identified as long as though costs are included in the allocation to Lake Region. Staff believes  
8 costs for availability fees are included in the rate calculation in this case. If Staff has missed any  
9 costs regarding this revenue source then it will consider reasonable additional costs adjustment in  
10 this case.

11 Q. Did Lake Region identify the amount of contributed plant it claims was donated  
12 by the developer?

13 A. No. While this information was requested in Staff Data Request 96, Lake Region  
14 and its affiliates refused to provide any specific information regarding this contributed plant.  
15 The Company did indicate this information was identified in its general ledger. That is not the  
16 case. The general ledger contains all amounts identified as contributions in aid of construction  
17 (CIAC or contributed plant), but does not specially identify the amounts related to the donated  
18 property which is the contributed plant subject to the availability fees.

19 John Summers testified in his surrebuttal and testimony he gave at the initial hearing held  
20 on March 30, 2010 that the contributed plant was \$5.3 million. That is the amount of total  
21 contributed plant Staff used as offset rate base in this case. However, a significant amount of  
22 this contributed plant is not related to the \$5.3 million. Other contributions have been made and  
23 continue to be made which would be included in this figure. All service connection charges for

1 customers connecting to the system are treated as contributed plant. Mr. Summers testified that  
2 the Company charges service connection fees which are also treated as contributed plant  
3 (Transcript volume 3 at pages 340-341). This CIAC does not relate to the developers costs to  
4 develop the utility infrastructure but is included in the amounts for contributed plant.

5       Interestingly, the availability fees billed to undeveloped lot owners for the period 2003 to  
6 2010 have been in excess almost \$3.2 million. If one assumes a 90% collection rate, collections  
7 for availability fees for the Lake Region service area results in a \$2.9 million amount. Of course,  
8 undeveloped lot owners have been paying availability fees well beyond 2003, dating back in the  
9 1990s. Therefore, the availability fees collected since the inception by these undeveloped lot  
10 owners will be well in excess of this \$2.9 million figure.

11       The only way to identify the actual amount of the developer's "contribution" of donated  
12 property is to get this information from the owners of Lake Region which are the same as the  
13 owners of Ozark Shores and Lake Utility. Dr. Stump, as the president of Lake Region,  
14 apparently has access to this information because he discussed it during the initial hearing on  
15 March 31, 2010. Despite not being a shareholder, employee or contractor of any of these  
16 affiliated entities, Dr. Stump provided a great deal of detail relating to the availability fees  
17 (Transcript 581-589). Indeed Dr. Stump testified that he was aware of these fees as far back as  
18 1994 when he first became interested in acquiring Lake Region (Transcript volume 5  
19 at page 586).

20       Q.     If availability fees are used to determine rates for Lake Region, should  
21 contributed plant be included in rate base?

22       A.     No. Contributed plant is just that-- donated property in which the owners of  
23 Lake Region have no investment. It would be improper and completely contrary to the way the



1 Commission has established rates in the past to allow a recovery to a utility in which it has no  
2 investment dollars. The utility owners would be allowed a return of monies for which it had no  
3 investment-- a wind fall of "free" money to the Lake Region shareholders.

4 Q. Does Lake Region or Ozark Shores own the Lake Utility fictitious entity?

5 A. No. As discussed in my surrebuttal, the rebuttal testimony of Staff witness  
6 Jim Merciel and the testimony by Dr. Stump in the March 31, 2010 initial hearings  
7 (Transcript volume 5 at page 579) establish that Lake Utility Availability 1 is a fictitious named  
8 registration owned by RPS Properties and Sally Stump. This ownership group is also owner of  
9 North Suburban Public Utility Company (North Suburban) which in turn also owns the regulated  
10 utility called Ozark Shores. The direct link of Lake Utility Availability,  
11 Lake Utility Availability 1, and also Ozark Shores to the regulated Lake Region utility is the  
12 common ownership of all of these entities. The owners of Lake Region and North Suburban, and  
13 ultimately Lake Utility Availability 1 are RPS Properties, which is owned by  
14 Robert Schwermann and his family, and Sally Stump, the wife of Vernon Stump, the President of  
15 the regulated Lake Region and Ozark Shores. Dr. Stump also is the chief witness on  
16 Lake Utility Availability 1 operations even though Lake Region claims in responses to numerous  
17 questions that it knows nothing about Lake Utility operations. Dr. Stump claimed he had no  
18 relationship to Lake Utility Availability and was not an employee of this entity in testimony  
19 given at the March 31, 2010 hearings [Transcript volume 5 at pages 595-596].

20 Q. What was the purpose of requesting the level of contributed plant donated by  
21 developers in Staff Data Request 96?

22 A. Since a big part of the availability fee issue relates to the contribution of property  
23 by the developer and its ability to recover the utility infrastructure investment, Staff submitted

1 this data request to identify the amount of actual investment made by the developer that was  
2 contributed (donated). This amount was to be compared to the actual amount of availability fees  
3 collected by the developer to see how much of the investment has already been recovered from  
4 the property owners of undeveloped lots. However, since Lake Region has refused to provide  
5 the necessary information, Staff has no way of knowing how much of the contributed has been  
6 "recovered" through availability fees.

7 Q. Did the Company provide some of the information that Staff requested in data  
8 requests relating to costs of availability fees?

9 A. Yes. During the initial hearing on the issue of Availability Charges, Lake Region  
10 witness Stump provided some of the information in his response to Staff's surrebuttal. The cost  
11 information for processing and administering availability fees was based on Dr. Stump's  
12 estimates; however Lake Region offered no support for any of its cost estimates. Immediately  
13 after the conclusion of the hearings, Staff submitted the data requests above in an attempt to  
14 substantiate Lake Region's claims regarding Availability Charges and get more accurate cost  
15 information. Unfortunately the Company has chosen not to provide the necessary information to  
16 accurately and completely determine the actual Availability Charges the owners of Lake Region  
17 collects. As such, Staff has had to rely on outside sources such as the information provided by  
18 the Property Owners or customers of Lake Region testifying at a local public hearing.

19 Q. Is Dr. Stump a shareholder of Lake Region?

20 A. No. As stated during the initial hearings, Dr. Stump is not a shareholder of  
21 Lake Region, Ozark Shores or Lake Utility Availability 1. Dr. Stump is also not an employee of  
22 either of these entities. Dr. Stump is the President of Lake Region and Ozark Shores. Despite  
23 not having any purported relationship to Lake Utility, as President of Lake Region, Dr. Stump

1 was able to describe in detail the operations of Lake Utility, number of undeveloped lots it was  
2 collecting Availability Charges, success of collections of these fees and approximate costs.  
3 While Lake Region is claiming that it "does not have this information in its books and records  
4 and does not have the authority to provide information regarding personal financial information  
5 of its shareholders." Dr. Stump disclosed several items regarding the operations of Lake Utility  
6 such as the number of undeveloped lots Lake Utility collected Availability Charges, the level of  
7 collections (90%) of Availability Charges and an estimate of certain costs relating to  
8 Availability Charges. Based on the testimony of Dr. Stump as a non-shareholder, non-owner and  
9 non-employee of Lake Utility, Staff submitted the above data requests to get more accurate  
10 information than what he provided during the initial hearings. In every instance, Lake Region  
11 responded that it did "not have this information" and refused to provide claiming the Company  
12 did not have right to access this information or "authority to provide information regarding  
13 personal financial information of its shareholders" on the activities of Lake Utility.

14 Q. When Staff submitted its data requests concerning availability fees did it believe  
15 Lake Region would be able to submit answers?

16 A. Yes. Dr. Stump, as Lake Region President, and representing the owners of  
17 Lake Region, Ozark Shores and Lake Utility said as much at the March 31, 2010 hearings.  
18 Dr. Stump responded to a question where he stated answers would be provided for the true-up:

19 Q. Now, if Staff were to ask for the costs associated with the billing,  
20 collecting and managing for the availability fees that Lake Utility  
21 Availability sends out, would Lake Region or Ms. Stump and  
22 Mr. Schwermann provide those answers to Staff for a true-up?

23 A. I -- I think so. Yes.

24 [Transcript volume 5 at pages 602-603]

1 Considering this testimony, Staff was surprised to learn Lake Region continued to object to and  
2 refuse to provide answers to data requests in the true-up regarding certain costs of  
3 availability fees.

4 Q. Was Staff able to accurately identify the operations of Lake Utility?

5 A. No. Lake Region's refusal to provide information that its President clearly has  
6 knowledge and possession of has resulted in Staff not having the kind of information it believes  
7 is necessary to fully evaluate the operations of Lake Utility and its Availability Charges. The  
8 corporate entity of Lake Region is hiding behind a corporate organization that was consciously  
9 and deliberately created to circumvent regulatory oversight of the Commission. By doing so,  
10 Lake Region is claiming that it has no knowledge of, no information relating to, nor have the  
11 right to such information concerning Availability Charges.

12 Staff considers the Lake Utility entity as a means to suppress regulation as unreasonable  
13 and improper. But for the expectation of undeveloped lot owners to connect to the regulated  
14 utility services provided by Lake Region, and its affiliate Ozark Shores, no availability fees  
15 would be charged and none certainly would be collected. The only logical explanation for the  
16 purpose of availability fees is this expectation. Undeveloped lot owners are making a  
17 contribution to the on-going operations of the utility infrastructure so this utility system is in  
18 place when these lot owners need to connect to the system. Staff believes the only reason  
19 Lake Utility collects 90% or more of Availability Charges from property owners of undeveloped  
20 lots in the Lake Region and Ozark Shores regulated service areas, is the view of those lot owners  
21 to have the opportunity to connect to the utility system of these two regulated entities when the  
22 services are needed.

23 Q. Do customers of Lake Region benefit from availability fees?

1           A.     No. Lake Region's regulated customers are responsible for paying for all the  
2 costs to support the entire infrastructure of the water and sewer operations of Shawnee Bend  
3 have yet to receive the benefits from the availability fees. The Shawnee Bend system is largely  
4 undeveloped. Yet all the lots -- developed and undeveloped-- have all the water distribution and  
5 sewer collection systems in place to support the entire service area. In testimony presented at the  
6 hearings approximately 70% of the lots are undeveloped. Less than 30% of the developed lots  
7 take utility services from Lake Region so a small number of customer have to support a very  
8 large utility system, much of which is not being used. The largely under used service area is  
9 supported by these customers in the rates paid for regulated water and sewer services.  
10 Availability fees can and should be used to offset the costs to maintain, repair and support new  
11 construction as necessary to replace existing infrastructure. To exclude availability fees from the  
12 regulated operations of Lake Region, as the Company has gone to great lengths to do in this case,  
13 requires the water and sewer customers to pay higher utility rates than if they were supporting a  
14 smaller infrastructure. Because the costs to operate and maintain this larger than necessary  
15 utility system (only 30% of the system is generating revenues for Lake Region) falls entirely on  
16 the regulated customers who actually take service, then the availability fees should be used to  
17 support this system. Lake Region's Shawnee Bend system is large in relation to what a system  
18 would be designed to serve considering the actual number of customers taking service from  
19 Lake Region compared to the number of undeveloped lots. It is my view that owners of the  
20 undeveloped lots fully expect the fees they pay, to pay for the opportunity to have utility service  
21 when they so chose are going to be used to maintain, repair and support construction of existing  
22 plant as necessary. That is the only logical conclusion that can be drawn from the purpose of  
23 paying availability fees.

1 Q. Has Staff changed its view of availability fees?

2 A. No. Staff continues to believe these fees are being charged for the purpose of  
3 maintaining, repairing and replacing with new construction by the Lake Region Water and Sewer  
4 infrastructure. This is the only logical reason why undeveloped lot owners would agree to pay  
5 \$300 annually for a promise to be able to receive utility service when these owners decide to  
6 build housing at the Lake of the Ozarks.

7 Q. Why does Staff believe availability fees are for the maintenance, repair and  
8 replacing with new construction of the utility infrastructure?

9 A. All utilities must maintain their systems for existing customers and those expected  
10 to connect to the system in the future. Without having a well maintained infrastructure,  
11 customers -- existing and future-- will not receive quality service. With a unique system like  
12 Lake Region where 70% of the lots go undeveloped in some cases for years it is critical to keep  
13 this large system well maintained. The infrastructure is built out to cover entire service area of  
14 mostly vacant lots. Dr. Stump recognized the very unique nature Lake Region's infrastructure in  
15 his testimony. [Transcript volume 5 at pages 603-604]

16 Q. Is it appropriate that contributed plant be used as an offset to rate  
17 base investment?

18 A. Yes. The utility has no investment in this contributed property; therefore it is not  
19 entitled nor is it appropriate for the Company to receive any recovery of or on these "free"  
20 investments. Certainly the current owners of Lake Region who were not the developers of any  
21 of its service areas can not claim they contributed to the installed costs of the utility  
22 infrastructure. They purchased the Company for \$3 million on a stock transaction. The  
23 developer may claim the need to recover infrastructure but that has no relationship to the current

1 owners of Lake Region who provide for none of the capital to construct this infrastructure.  
2 Treating the contributed plant as an offset to rate base investment is not only appropriate and the  
3 way rates are set in this state for the water and sewer industry but it would be completely  
4 improper for customers to provide a return of and on investment to owners with no invested  
5 capital for that infrastructure.

6 Q. Does Staff continue to believe the developer recovered its investment in the  
7 contributed plant "donated" to Lake Region?

8 A. Yes. Logic would dictate that developers recovered the investment in this  
9 contributed plant through the sale of the lots. The developer made certain improvements to  
10 ready the lots for market. As for profit concerns, all the improvements including the investment  
11 necessary to provide utility services must be recovered in the lot sale transaction. To do  
12 otherwise would place a great deal of risk on the developer because of the uncertainty of having  
13 opportunity to recoup the invested capital through other means. The regulated water and sewer  
14 industry routinely has contributed plant in which no investment recovery is allowed in the rate  
15 setting process. The only place for a developer to get infrastructure recovery would be through  
16 lot sales. The actual use of availability fees is very rare in this state. When used they have a  
17 finite time frame and are discontinued generally when the utility adds sufficient customer base to  
18 sustain itself operationally.

19 Q. Does Staff continue to believe it is proper to include revenues from  
20 Availability Charges in this case?

21 A. Yes. Even though Lake Region continues to suppress the information regarding  
22 Availability Charges, Staff believes it is not only proper but necessary to include the revenues  
23 and any related costs that can be determined in this case. The availability fees are used to help

1 maintain the system and pay for the infrastructure. The undeveloped lot owners are paying  
2 Availability Charges in anticipation those fees are used to ensure the on-going operations of the  
3 utility. Therefore, Staff has made adjustments to the Shawnee Bend Water and Sewer revenue  
4 requirement calculations to include a proper level of Availability Charges and related costs. The  
5 inclusion of these revenues in this case is necessary so customers of Lake Region do not  
6 subsidize the undeveloped lot owners and that those lot owners are not paying a fee that provides  
7 them no benefit.

8 Q. Has Lake Region been critical of Staff's calculations regarding  
9 Availability Charges?

10 A. Yes. In surrebuttal and the testimony given by Company witnesses Summers on  
11 March 30, 2010 and Stump on March 31, Lake Region was highly critical of Staff's level of  
12 revenues and related costs for Availability Charges. While the owners of Lake Region and  
13 Lake Utility are the same, and given the testimony of Dr. Stump at the March 31 initial hearing it  
14 is obvious Lake Region, through its President, has sufficient information that could have been  
15 provided to Staff to better quantify the amount of availability fees. One can debate the merits of  
16 using availability fees in the rate determination in this case; however, there should be no debate  
17 as to the actual level of revenues and costs relating to this activity.

18 **Costs Associated With Availability Charges--Alternative Proposal**  
19 **Regarding Availability Charges**

20 Q. Does Staff have an alternative proposal in lieu of including availability fees in the  
21 rate structure of Lake Region?

22 A. Yes. Identified at page 14 of my surrebuttal I testified that should the  
23 Commission reject the inclusion of availability fees in the determination of Lake Region's rates



1 in this case, then an assignment of costs should be made regarding the billing, collection,  
2 administration and management of the Availability Charges relating to the operations of  
3 Lake Utility.

4 The additional costs allocated to Lake Utility was identified at page 18 of my surrebuttal.  
5 The total amount of management costs to operate Lake Region's three utility systems is proposed  
6 to be \$61,700 [page 18, line 18 of my surrebuttal]. If the Commission rejects the inclusion of  
7 availability charges in determining Lake Region's rates then Staff is recommending reduction of  
8 the above management costs to \$44,207 [page 18, line 18 of my surrebuttal]. This represents an  
9 overall reduction to the Lake Region revenue requirements of \$17,493 [\$61,700 less 44,207].  
10 The impacts on the three Lake Region revenue requirements on the assignment of these costs  
11 were identified at pages 19 and 20 of my surrebuttal.

12 Q. Please identify the impact on Lake Region's rates under this alternative proposal.

13 A. The re-allocation between the three Lake Region operating systems for the  
14 reduced management costs of \$44,207 would be:

<b>Lake Region Operating System</b>	<b>Payroll Allocation</b>	<b>Total re-assigned Costs to Lake Region</b>	<b>Difference</b>
Shawnee Bend Water	25.5%	\$11,273	<b>\$4,461</b>
Shawnee Bend Sewer	26.8%	11,847	<b>4,688</b>
Horseshoe Bend Sewer	<u>47.7%</u>	<u>21,087</u>	<b><u>8,344</u></b>
Total	100%	\$44,207	<b>\$17,493</b>

15 These re-allocated costs should be included in each of the Lake Region operating  
16 systems' revenue requirement calculations if the Commission disagrees with the inclusion of the  
17 Availability Charges in the Lake Region cost of service calculations.

Q. What are the affects of removing the costs for Lake Utility operations on the revenue requirement recommendation made by Staff?

A. After making the changes for the assignment of costs for the Availability Charges, the following revenue requirements result:

Lake Region Operating Entity	Annual Revenue Requirement at mid-point ROE of 8.5%	Rate Base at March 31, 2010
Shawnee Bend Water	\$ 19,372	\$ 825,676
Management Cost Reduction	<u>4,461</u>	
Revised Rev Requirement	\$ 14,911	
Shawnee Bend Sewer	\$101,204	\$1,299,033
Management Cost Reduction	<u>4,688</u>	
Revised Rev Requirement	\$ 96,516	
Horseshoe Bend Sewer	\$32,394	\$ 421,820
Management Cost Reduction	<u>8,344</u>	
Revised Rev Requirement	\$ 24,050	

Source: Staff Exhibit Model System-- Schedules 5 and 7 revised for true-up direct April 16, 2010

Q. Does Staff continue to believe costs should be assigned to Lake Utility?

A. Yes. If the Commission determines availability fees should not be part of the Shawnee Bend Water and Sewer utility operations, Staff believes the cost amounts assigned to Lake Utility Availability 1 as proposed in my surrebuttal should be reflected in the revenue requirement calculations for Lake Region.

Q. How should the costs of Lake Utility be assigned to Lake Region?

1           A.     Even though availability fees are only charged to owners of undeveloped lots in  
2 Shawnee Bend Water and Sewer service areas, the assignment of costs to Lake Utility for these  
3 fees effects all three of Lake Region's operating systems. Under the alternative cost allocation  
4 proposal recommended by Staff if availability fees are not used to determine rates, Lake Utility  
5 is treated as an affiliated operating entity representing a cost center. The total executive  
6 management costs are allocated between Lake Region, Ozark Shores and Lake Utility.

7           The salary and benefits of the General Manager, John Summers, is also proposed to be  
8 allocated among all the operating entities he is involved in. Mr. Summers is employed by the  
9 Water District and provides services under contract to both Lake Region and Ozark Shores.  
10 Staff has included an allocation of Mr. Summers costs between Lake Region, Ozark Shores, the  
11 Water District and Lake Utility for its alternative recommendation.

12           Therefore, Staff's alternative proposal is to include an allocation of costs for the  
13 Executive Management Group and the Water District's General Manager to Lake Utility.

14           Q.     Did Lake Region dispute the allocation of costs to Lake Utility?

15           A.     In testimony given at the March 31, 2010 hearings by Lake Region's President,  
16 Dr. Stump, the Company attempted to discredit the assignment of costs to Lake Utility and  
17 disputed the method used by Staff to allocate costs for availability fees. However, Lake Region  
18 provided no actual support for its estimates presented at the hearings by Dr. Stump. After the  
19 conclusion of the hearings Staff submitted data request (Data Request 94 attached as  
20 True-up direct Schedule 2) in an attempt to get the necessary support for the estimates given by  
21 Dr. Stump. While Lake Region objected to the data request, it did provide a work sheet which  
22 purported to support the costs testified by Dr. Stump. However, reviewing this information it is  
23 clear that the only availability fee costs Lake Region provided any estimates for was assignment

1 of a portion of the salary of the accountant who processes the billing function of availability fees  
2 for Lake Utility and an extremely small portion of executive management costs. None of the  
3 costs discussed at the hearing for office supplies including printing of bills and paper costs,  
4 office space rents and office equipment costs such as and use of office equipment such as the  
5 telephone network, computers and billing software associated were provided.

6 Q. Is Lake Region's proposed treatment of excluding the availability fees but  
7 including the costs associated with this activity proper?

8 A. No. Under the Company's treatment of availability fees, Lake Utility is being  
9 subsidized by the regulated operations of Lake Region and Ozark Shores. All costs relating to  
10 the billing and collection of availability fees are completely the responsibility of the regulated  
11 operations of Lake Region and its affiliate, Ozark Shores. Paying all the costs and receiving  
12 none of the benefits is a classic example of cross-subsidization by regulated entities and is  
13 generally improper.

14 Considering that Lake Region made no attempt in this case to identify and support costs  
15 relating the operations of Lake Utility, Staff believes its method of allocating costs described in  
16 the surrebuttal to be appropriate. Lake Region simply has not made any reasonable effort to  
17 capture costs for availability fees, instead leaving the costs to be paid entirely by the regulated  
18 utility customers.

19 Q. Did Staff review the activities of the accounting function for availability fees?

20 A. Yes. Staff received time reporting of all the Water District employees. The  
21 accountant who does the billing and collection activities for Lake Region, Ozark Shores and the  
22 Water District also does this function for Lake Utility in the billing and collection of availability  
23 fees. However, reviewing the accountant's time reporting there was no evidence of any charges

1 going to Lake Utility. No costs were assigned to Lake Utility. The only entities the accountant  
2 assigned time to were Lake Region, Ozark Shores and the Water District.

3 Q. Does this conclude your true-up direct testimony?

4 A. Yes, it does.

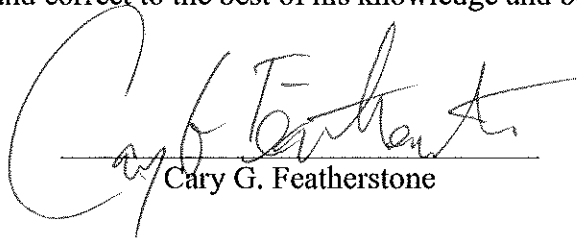
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Lake Region Water & Sewer )		SR-2010-0110
Company's Application to Implement a )		
General Rate Increase in Water and Sewer )	Case No.	AND
Service. )		
)		WR-2010-0111

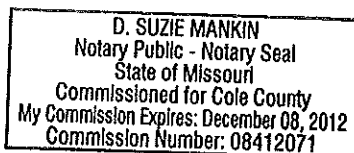
AFFIDAVIT OF CARY G. FEATHERSTONE

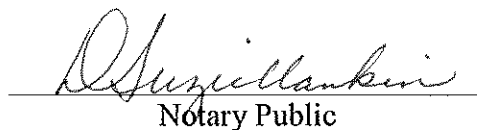
STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing True-Up Direct Testimony in question and answer form, consisting of 43 pages to be presented in the above case; that the answers in the foregoing True-Up Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Cary G. Featherstone

Subscribed and sworn to before me this 16<sup>th</sup> day of April, 2010.



  
\_\_\_\_\_  
Notary Public

Lake Region Water Sewer Company  
Case Nos. SR-2010-0110 WR-2010-0111

## Comparison of True-up and Direct Revenue Requirement

These Revenue Requirements Do Not Reflect  
Impact of Availability Charges on Rates

Lake Region Operating System	True-up through 31-Mar-10	Pos-Direct Filing at Prehearing	Direct Filing at January 14, 2010
Shawnee Bend Water	\$19,372	\$20,549	\$49,503
	(A)		
Shawnee Bend Sewer	\$101,204	\$108,076	\$123,003
	(A)		
Horseshoe Bend Sewer	\$32,394	\$18,125	(\$55,814)
Allowance	\$ - 0 -	\$ - 0 -	\$60,000
Net of Allowance	\$32,394	\$18,125	\$4,186
Total	\$185,364	\$164,875	\$176,692

These Revenue Requirements Reflect  
Impact of Availability Charges on Rates

Shawnee Bend Water	\$ - 0 -
	(A)
Shawnee Bend Sewer	\$ - 0 -
	(A)
Horseshoe Bend Sewer	32,394
Allowance	\$ - 0 -
Net of Allowance	\$32,394
Total	\$64,788

Source: Staff Exhibit Model System - Schedules 5 and 7

Note (A): If Commission adopts the use of Availability Charges in rates for Shawnee Bend Water and Sewer the amounts of these fees would entirely offset the above revenue rate increase identified above. There would be no impact for the Horseshoe Bend Sewer recommendation.

# Missouri Public Service Commission

## Respond Data Request

Data Request No. 0094  
Company Name Lake Region Water & Sewer Company-(Sewer)  
Case/Tracking No. SR-2010-0110  
Date Requested 4/1/2010  
Issue Revenue - Other Revenue Issues  
Requested From John Summers  
Requested By Cary Featherstone  
Brief Description Availability fees costs

### Description

With respect to the fictitious name registration entity referred to as Lake Utility Availability 1, under this name or Lake Utility Availability (both referred to as Lake Utility), please provide all costs associated with the activities and functions of this entity incurred in the last two years. Please provide all supporting documentation on how the costs were allocated, assigned and determined. The costs should include but not be limited to the following: 1 Payroll and Management Costs-- a.) employee costs or allocations including payroll costs such as wages and salaries and any related payroll benefits for any employees, consultants, contractors, or any one providing any and all services to the functions and activities of Lake Utility. b). executive management costs or allocations relating to the supervision of any and all employees, consultants, contractors, or any one providing any services to the functions and activities of Lake Utility or involved in any aspect of the operations in any capacity of Lake Utility. c). direct day to day supervision and management oversight of any and all employees, consultants, contractors, or any one providing any service to the functions and activities of Lake Utility or involved in any aspect of the operations in any capacity of Lake Utility 2. Office Costs-- a). identify the costs of the use of office space of the Public Water Supply District Number Four of Camden County (Water District) for each of the following companies, corporations and entities including any fictitious named companies of Lake Region Water and Sewer Company, Ozark Shores Water Company, Water District and Lake Utility and how amount of space was allocated between each of these entities b). all costs or allocations relating to the office equipment and furniture needed to perform all activities of Lake Utility c). identify all office supplies costs such as paper used to operate and administer the Lake Utility activities and operations d). printing costs relating to the billing function of Lake Utility for billing of availability charges (fees) e). postage costs relating to the issuance of bills for Lake Utility f). processing costs for collection, receipts and posting into accounting records relating to functions and operations of Lake Utility and all activities regarding availability charges (fees). g). identify all costs or allocations relating to the use of the telephone and all other communication devices needed to conduct the business functions of Lake Utility h). identify all costs or allocations relating to the use of the computer equipment needed to conduct business functions of Lake Utility i). identify all costs or allocations relating to the use of the computer software costs including but not limited to billing programs, receivables program, collection programs needed to conduct business functions of Lake Utility j). identify any and all other costs such as capital costs needed to conduct business functions of Lake Utility

### Response

Without waiver of the objections filed April 6, 2010, the Company provides the following response: 1. All costs recorded on the books of LRWS are included in the General Ledger files provided to Staff in response to DR 0002 on October 30, 2009 and DR 0045 on November 13, 2009. These files contain a complete copy of LRWS' general ledger from 1998 through September 30, 2009. The direct costs are identified in accounts 921.00 Office Supplies & Other Expenses and 921.50 Billing Expenses. Attached is the calculation referred to by Dr. Stump while on the witness stand. 1a. LRWS has made no such allocation. 1b. LRWS has made no such allocation. 1c. LRWS has made no such allocation. 2a. LRWS has made no such allocation. 2b. LRWS has made no such allocation. 2c. LRWS



has made no such allocation. 2d. LRWS has made no such allocation and see answer to 1 above. 2e. See 1 above 2f. LRWS has made no such allocation. 2g. LRWS has made no such allocation. 2h. LRWS has made no such allocation. 2i. LRWS has made no such allocation. 2j. LRWS believes the answer is none.

**Objections**

NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **SR-2010-0110** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Lake Region Water & Sewer Company-(Sewer)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Lake Region Water & Sewer Company-(Sewer)** and its employees, contractors, agents or others employed by or acting in its behalf.

**Security :**

Public

**Rationale :**

NA

Lake Utility billing

	Bills	Times per year	Total Annual Bills
Ozark Shores	1400	12	16800
Lake Region	900	12	10800
PWSD4	300	12	3600
Ozark Shores avail	3000	2	6000
NIIG	87	4	348
Lake Utility	1200	1	1200

Total Bills 38748

% that is Lake Utility 3%

One person staff time 35000 0.03 \$ 1,050.00

Total staff time 11 staff 0.3%

Overall management time mgmt time \$ 150.00 .003\*50000

Percentage that is part of Dist contract  
 \$ 1,050.00 cost  
 \$ 400,000.00 total contract  
 0.3%

The cost of management in relation to the work required to collect

Availability fees is approx \$150 OPC \$ 1.80

The salary cost for staff to collect availability is approx \$1,050

This cost is .3% of the District contract