

Exhibit No.:
Issue: Executive Management
Oversight
Witness: V. William Harris
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case Nos: SR-2010-0110 and
WR-2010-0111
Date Testimony Prepared: March 12, 2010

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

V. WILLIAM HARRIS, CPA, CIA

LAKE REGION WATER & SEWER COMPANY

CASE NOS. SR-2010-0110 AND WR-2010-0111

Jefferson City, Missouri

March 2010

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

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EXECUTIVE MANAGEMENT OVERSIGHT (MANAGEMENT FEES)..... 2

Q. Please state your name and business address.

A. V. William Harris, Fletcher Daniels State Office Building, Room G8,
615 East 13th Street, Kansas City, Missouri 64106.

Q. Are you the same V. William Harris that filed testimony in the Staff's
Cost of Service Report dated January 14, 2010?

A. Yes.

Q. What is the purpose of your Surrebuttal testimony?

A. The purpose of my Surrebuttal testimony is to address the Rebuttal testimony
of the Office of the Public Counsel (OPC) witness Ted Robertson on the issue of
Management Fees (Executive Management Oversight).

Q. Please provide a brief summary of Executive Management Oversight.

A. As previously stated in the Staff's Cost of Service Report, Lake Region Water & Sewer Company (Lake Region or Company) does not have any employees. Lake Region contracts with the Camden County Public Water Supply District Number Four (Water District), to operate and manage the day-to-day operations of the Company as well as an affiliate, Ozark Shores Water Company (Ozark Shores). The

1 Water District staff performs normal day-to-day administrative and operational functions for
2 all three entities and consists of a General Manager, two accountant/administrative assistants
3 and seven field operators.

4 The executive management group (executive management), consisting of
5 Vernon Stump, Robert Schwermann and Brian Schwermann, interacts with the District staff
6 and provides executive management oversight on a variety of advanced operational,
7 technological and financial issues that are not generally expected to occur in the normal
8 course of day-to-day operations.

9 **EXECUTIVE SUMMARY**

10 Q. Briefly describe the OPC, Lake Region and Staff positions on the issue of
11 management fees / executive management oversight.

12 A. OPC maintains that executive management provides no service beyond what
13 would normally be expected from a utility's board of directors and recommends including an
14 arbitrary annual stipend of \$600 for this routine benefit.

15 Lake Region initially sought \$99,695 in management fees but has since adopted
16 Staff's position that \$27,901 is the proper cost to include in the Company's cost of service for
17 executive management oversight. I will discuss Staff's determination of the cost at length
18 later in this testimony.

19 **EXECUTIVE MANAGEMENT OVERSIGHT (MANAGEMENT FEES)**

20 Q. On page 4 (lines 4 through 6) of his Rebuttal testimony, Mr. Robertson asserts
21 that the activities of the executive management group "are more conducive to activities
22 effectuated by a company's board of directors." Do you agree?

1 A. Absolutely not. While one responsibility of the executive management
2 group is to prepare and participate in Board of Directors meetings of
3 Lake Region and Ozark Shores, the management group provides many other services to the
4 Company that are not normally duties of a company's Board of Directors. Among the types
5 of activities executive management performs which would not normally be the responsibilities
6 of Board members are:

- 7 • Meeting and negotiating with representatives of the Company's largest
8 customer to resolve a dispute regarding an inflow and infiltration (I&I) issue.
- 9 • Developing and implementing plans to install a new lift station and force main.
- 10 • Planning the implementation of a new automated meter reading system.
- 11 • Identifying solutions for water pressure issues.
- 12 • Arranging the financing of capital projects and on-going operations.
- 13 • Maintaining the accounting system, tax reporting requirements and overall
14 records of the company.
- 15 • Maintaining ongoing relationships with lending institutions and outside
16 auditors.
- 17 • Communicating regulatory matters with the Public Service Commission, its
18 Staff and other stakeholders on an on-going basis.
- 19 • Attending industry meetings and open discussions such as the
20 Small Utility Meeting hosted by the MoPSC on December 14, 2009.
- 21 • Actively participating in this rate case including filing testimony
22 (Mr. Stump) and attending discussions with representatives of Staff, the
23 Office of Public Counsel and other parties to this case.
- 24 • Maintaining the utility operations in accordance with the
25 Missouri Department of Natural Resources permits, rules and regulations.

26 Q. Do you know of any Board of Director member of any Company regulated by
27 this Commission who provides any of the aforementioned services to that Company?

1 A. No, I know of no non-employee board member who is actively engaged in the
2 hands on management of the company they direct. Typically, Board members who are not
3 employees do not make management decisions. Rather, management evaluates the operations
4 of Lake Region and Ozark Shores and makes decisions based on the over all best interest of
5 each entity. The important thing to remember here is that non-employee board members who
6 are not compensated in any other manner than through board of director fees do not make the
7 managerial proposals such as capital expenditures. Those decisions are presented to the
8 Board for approval. Board of directors do not negotiate labor agreements or other contracts
9 affecting the utility operations; do not develop capital and operating budgets and do not
10 get directly involved in the operational issues of running a public utility like
11 Lake Region and Ozark Shores. While directors are typically advised of the operations of the
12 companies and have to approve major decisions including contracts and financing, they do not
13 implement those decisions nor do directors have the responsibility to carry out the decisions
14 of the board - that is the job of the executive management team.

15 Q. Does Mr. Summers perform the duties of compiling the financial records of
16 Lake Region?

17 A. No. The Schwermanns have the responsibility to maintain the overall
18 accounting system and file the appropriate tax returns.

19 Q. On page 2 of Mr. Stump's Rebuttal testimony, he states he is not an employee
20 of Lake Region. Do you agree?

21 A. While Mr. Stump may not be an employee in the strict sense of being a full
22 time employee who receives a salary and wage from Lake Region, he is a member of the
23 executive management group along with Mr. Robert Schwermann and

1 Mr. Brian Schwermann. All of these men have other work activities they are involved in.
2 The individuals making up the executive management group work on a part time basis to run
3 the water and sewer operations of Lake Region and Ozark Shores. They provide managerial
4 services to Lake Region, and its affiliate Ozark Shores, which are outside the scope of a board
5 of directors' responsibilities. The management oversight by the executive group is directly
6 related to the operations of both Lake Region and Ozark Shores and must be compensated like
7 any other service provider to these companies.

8 Q. On page 4 (lines 10 and 11) of his Rebuttal testimony, Mr. Robertson states
9 that the amount of "management fees" Staff included in this case is "grossly in excess of what
10 would be a proper amount." Do you agree?

11 A. No, I do not. I have attached, as Schedule VWH-1, a listing of all water and
12 sewer utilities in the state that have annual revenues exceeding \$500,000 which includes
13 Lake Region. Upon review of these utilities' Annual Reports filed with the Commission for
14 the year 2008, I identified five utilities that reported "management fees" as an outside service
15 or paid an executive/owner a salary for the service and compared them to Staff's management
16 fees for Lake Region as follows:

Name of Utility	# of customers	Management fee (\$)	\$ per customer
Aqua Missouri, Inc.	3,441	\$150,815	\$43.83
Roarke Water and Sewer, Inc.	1,290	\$ 33,369	\$25.87
House Springs Sewer Company	unknown	\$ 59,383	unknown
Timber Creek Sewer Company	1,313	\$ 70,510	\$53.70
U.S. Water Company	2,135	\$ 97,200	\$45.53
Lake Region Water & Sewer	3,190	\$ 27,901	\$19.93

17 The amount of "management fees" Staff included in its direct case was \$55,801 based
18 on an amount for executive salaries, travel, lodging, corporate office and communication

1 costs. The total amount was equally split between Ozark Shores and Lake Region. The
2 amount for the executive management costs assigned to Lake Region is \$27,901. Staff
3 believes this amount is conservative given the size and complexity of the
4 Lake Region/Ozark Shores/Water District Operation. The Company believes \$27,901 is
5 perhaps too conservative but has adopted the amount in lieu of the \$99,695 the Company
6 requested in its initial Direct filing.

7 Q. On page 4 (line 16) through page 5 (line 3) of his Rebuttal testimony,
8 Mr. Robertson maintains that Robert Schwermann “holds no official position” with
9 the Company, Brian Schwermann’s only position with the Company is that of
10 “Secretary of the Lake Region board of directors” and Vernon Stump is “The only person that
11 could be construed to be an executive of the Company.” Are Mr. Robertson’s statements
12 accurate or relevant?

13 A. Mr. Robertson’s statements regarding Brian Schwermann are inaccurate given
14 that every Annual Report Lake Region has filed with the Commission (beginning in 2005) has
15 listed Brian Schwermann as the Secretary of Lake Region, as well as performing that function
16 of the board of directors. Mr. Brian Schwermann is also identified as Treasurer of the
17 Company in annual board of director minutes. Mr. Robertson’s statements regarding
18 Robert Schwermann and Vernon Stump are irrelevant because Lake Region accounts for their
19 services the same way that Aqua Missouri, Inc. and Roarke Water and Sewer, Inc. account for
20 their “management fees” – as an outside service rendered by other than an employee
21 (much like legal services or engineering services).

22 Q. On page 6 (lines 5 through 9) of his Rebuttal testimony, Mr. Robertson states
23 “there is no evidence, other than that they attend the District’s monthly board meetings, that

1 would substantiate” executive management’s involvement in the operations of Lake Region
2 other than that of a member of the board of directors. Do you agree?

3 A. No. For the reasons outlined earlier in this testimony, including executive
4 management’s interaction with the Water District personnel and the Water District Board,
5 outside accountants and attorneys, utility customers, engineering companies and regulatory
6 representatives there would appear to be more evidence substantiating considerably more
7 involvement than would normally be expected from a company’s board of directors. I have
8 observed the involvement first-hand through interviews with the Schwermanns, Mr. Stump
9 and John Summers at the Schwermann’s office in Overland Park, Kansas and at the
10 Lake Region/Ozark Shores/ District business office in Lake Ozark, Missouri. I toured the
11 utility operations, held numerous discussions with Company personnel regarding the
12 day-to-day operations of Lake Region and Ozark Shores and the inter-relationship between
13 the Water District, reviewed data request responses, exchanged information through e-mail
14 and reviewed other documents at the Company's offices to get an understanding of how the
15 Company is managed. Specifically, Staff requested information of the duties of the
16 management team and how those duties differed from the responsibilities of the
17 Lake Region and Ozark Shores general manager. The Company supplied information on the
18 responsibilities and back ground of each of the three corporate officers Vernon Stump,
19 Robert Schwermann and Brian Schwermann.

20 Q. Has Mr. Robertson interviewed the Schwermanns and Mr. Stump or visited
21 either the Overland Park or Lake Ozark office?

22 A. No, not to the best of my knowledge.

1 Q. Why is executive management's involvement in Water District board
2 meetings important?

3 A. Executive management attends the monthly meetings of the Water District to
4 determine if there are issues affecting Lake Region and/or Ozark Shores. There are common
5 facilities and equipment that are owned by either the Water District or Lake Region or
6 Ozark Shores that are used by all three of these entities to provide each with respective utility
7 services. The common facilities include vehicle equipment, wells for the water services and a
8 water storage tank. In addition, there are overlapping service areas between the three entities
9 which require coordination and evaluation of decision making to ensure the most effective
10 approach to these operations. The importance of coordinating the efforts of the three
11 entities--Lake Region, Ozark Shores and the Water District-- is to take full advantage of the
12 economies of scale of operating all the water and sewer entities. There are benefits to each of
13 the companies by sharing equipment, work procedures and personnel.

14 Q. Does Lake Region benefit from the affiliation of Ozark Shores and the
15 connection to the Water District?

16 A. Yes. To the extent the personnel and equipment can be coordinated and shared
17 between the three entities, all three companies benefit. If each of these entities operated
18 separately as stand-alone companies they would have to have additional equipment which
19 would be costly to the customers and would incur greater payroll and benefit costs. In lieu of
20 owning equipment needed to operate water and sewer utilities, the stand-alone companies
21 could lease this equipment as needed but this would be costly over time. Lake Region and
22 Ozark Shores benefit from its relationship to each other as well as to the Water District in
23 sharing the expensive equipment such as backhoes and trucks. There is a written agreement

1 between the entities to share the equipment and reimburse the Water District for its use. This
2 structure is in place because of the efforts of the general manager, Mr. Summers, and the
3 executive management team.

4 The work of the employees is further structured to share in their efforts to perform the
5 necessary tasks required of operating water and sewer companies. Economies are gained and
6 benefits recognized by all three entities when the work of the employees is spread out among
7 Lake Region, Ozark Shores and the Water District.

8 Q. Could Mr. Summers act on his own, to create the operational structure of these
9 three entities?

10 A. No. Mr. Summers does not have the authority to create the organizational
11 structure that exists for Lake Region, Ozark Shores and the Water District. Mr. Summers is
12 an employee of the Water District who has responsibility to manage that entity along with
13 Lake Region and Ozark Shores through a contract. Only the management team could have set
14 up the organization in the matter in which it operates and enter into the contractual
15 arrangement with the Water District.

16 Q. On page 6 (lines 9 through 11) of his Rebuttal testimony, Mr. Robertson
17 characterizes Staff's calculation of executive management oversight as "a subjective amount
18 derived apparently from an *American Water Works Association 2008 Water Utility*
19 *Compensation Survey* for executive salaries." Is this depiction accurate?

20 A. No. As I explained to Mr. Robertson prior to the filing of his
21 Rebuttal testimony, Staff reviewed the Company's calculation which did begin with the
22 AWA survey. The Company's calculation incorporated survey amounts for the top executive,
23 the top engineering executive and the top financial executive of privately owned utilities. The

1 Company took the average of the annual salaries for the three executive positions and derived
2 an hourly rate of \$75 based on 1,768 annual hours. Staff compared the average annual
3 executive salary the Company was using with the salaries published by the
4 Missouri Economic Research and Information Center (MERIC) for chief executives in
5 Missouri's Central Region (including Camden County, the county Lake Region is in) and
6 with the executive salaries of the water and sewer utilities listed on attached
7 Schedule VWH-1. Staff determined the annual rate the Company was using was reasonable
8 and (as illustrated on attached Schedule VWH-3) based it on 2,080 annual hours to arrive at
9 an hourly rate of \$63.77 – not a “subjective rate” as characterized by Mr. Robertson on page
10 6, line 3, of his Rebuttal testimony. Staff's analysis of the salary comparisons is outlined on
11 attached Schedule VWH-2. The top section of the schedule highlights data from the
12 AWA survey. The middle section of the schedule shows data from the MERIC website. The
13 bottom section of the schedule lists executive salaries (including related management fees)
14 from the 2008 Annual Reports of the respective utilities listed on Schedule VWH-1.

15 As stated on page 27 of the Staff's Cost of Service Report, Staff based its calculations
16 on two general functions of executive management – operational (provided by Mr. Stump)
17 and financial (provided by the Schwermanns). Staff then applied the hourly rate to
18 288 annualized hours per function in determining the amount to include for executive
19 management oversight.

20 Q. Why did Staff use 288 annualized hours in its calculation?

21 A. Staff included three eight-hour days per month per function. Two days on site
22 at Lake Ozark meeting with the District's board of directors and staff and the equivalent of
23 one eight-hour day per month from remote locations. Staff included twenty-four days of

1 lodging, meal and travel costs for the time that executive management spends in Lake Ozark.
2 Staff also included costs for office expense and communication expense associated with the
3 time that executive management spends on the utilities from remote locations. I have attached
4 a thorough description of these costs for executive management oversight as
5 Schedule VWH-3.

6 Q. On page 6 (lines 14 through 23) of his Rebuttal testimony, Mr. Robertson
7 asserts that Staff has imprudently included travel costs to Lake Ozark for executive
8 management to attend monthly Water District Board of Director meetings in conjunction with
9 meetings regarding Lake Region and Ozark Shores operations and characterizes them as
10 “mini-vacations”. Do you see them as “mini-vacations”?

11 A. As I stated earlier in this testimony, to the best of my knowledge
12 Mr. Robertson has made no attempt to visit Lake Ozark and see first-hand the combined
13 Water District/Lake Region/Ozark Shores operation and service area. I’ve visited the area in
14 the dead of winter for the purpose of discovery in this case and I certainly by no means
15 considered my time at the Lake in December a “mini-vacation”.

16 Staff toured the facilities (I toured the facilities twice) and discussed all aspects of the
17 operations with Mr. Summers and the executive management team. During the coldest part of
18 December there was absolutely no hint that the Company was located in one of Missouri's
19 most important vacation destinations. Much of the year this part of Missouri is isolated and
20 not the easiest part of the state to travel to.

21 Q. On page 5 (lines 13 through 15) of his Rebuttal testimony, Mr. Robertson
22 states that it is Public Counsel’s position “that costs related to the activities of the Company’s

1 board of directors should be included in the Company's cost of service at a reasonable level."

2 What does Mr. Robertson consider to be "a reasonable level"?

3 A. Per his Direct testimony, Mr. Robertson considers \$600 to be a reasonable
4 level (\$200 per person for three people once a year). Mr. Robertson does not provide any
5 information on how he arrived at the subjective amount of \$200 per person. Mr. Robertson
6 does not even include any travel costs in order for the executive management group to attend
7 the annual board meeting he's willing to include in the Company's cost of service. By
8 including \$200 for only three persons, Mr. Robertson also did not include an amount for
9 Brian Schwermann to attend the board meeting even though he (in his capacity as board
10 secretary) will be required to take the minutes. There would be an additional \$200 plus travel
11 costs for Brian Schwermann to attend the Board meeting. Public Counsel has understated
12 costs relating to its Board of Direct approach and has substantially understated the true costs
13 of the executive management compensation that should be included in rates.

14 Q. On page 7 (lines 11 and 12) of his Rebuttal testimony, Mr. Robertson refers to
15 the "rental subsidization of the Schwermann's private business location" as "excessive". Do
16 you agree with this characterization?

17 A. Staff has only included the cost of ten percent of the office lease to be split
18 equally between Lake Region and Ozark Shores. This office is also where the annual board
19 meeting that Mr. Robertson has included in the Company's cost of service is held, yet
20 Mr. Robertson has not suggested a replacement cost be included in order to provide a place to
21 conduct the board meeting.

22 Staff interviewed the owners, and board members at this office in Overland Park.
23 Staff toured the office space and discussed all the activities that were conducted out of this

1 office on behalf of Lake Region and Ozark Shores. This office space was primarily used for
2 the Schwermanns to operate its principle business, a real estate developer and investment
3 firm, which is indicative of the decision by Staff to assign 90% of the office rental to that
4 non-utility, non-regulated function. When Mr. and Mrs. Stump are in Kansas City for
5 Board meetings and meetings regarding the operations of the two regulated companies they
6 own they work out of the Overland Park offices. Staff believes using 10% of the monthly
7 lease costs for both Lake Region and Ozark Shores to be a reasonable and modest amount.

8 Q. Does Lake Region have its own office space?

9 A. No. The Company shares office space with Ozark Shores and the
10 Water District. This is an older building and did not appear to be in any way excessive in
11 either its size or its décor.

12 Q. Was there ample office space at the Water District's office for the management
13 team to work?

14 A. No. While there is a small conference room to hold meetings-- this is where
15 Staff was assigned during its limited visit to the Company's offices-- this room would not be
16 large enough to have permanent offices for the management team.

17 Q. Are there any economies of sharing the offices with the non-utility operations
18 of the Schwermanns?

19 A. Yes. Just as there are economic benefits to the sharing of office space,
20 equipment and personnel among the three entities-- Lake Region, Ozark Shores and the
21 Water District-- there are also benefits to the owners and ultimately the regulated utility
22 companies customers of sharing the offices of RPS Properties Inc., the Company owned by
23 the Schwermanns for its investments in real estate. If the executive management team had to

1 have outside stand-alone office space it would be far more costly to Lake Region and
2 Ozark Shores regardless if the offices were at the lake or in the Kansas City area.

3 Q. In objecting to executive management's travel cost, Mr. Robertson states on
4 page 7 (lines 1 and 2) of his Rebuttal testimony that the cost "is in my opinion a very
5 unreasonable and excessive cost for ratepayers of a utility this size to bear." Do you consider
6 Lake Region to be a small utility?

7 A. No. As illustrated by my attached Schedule VWH-1, Lake Region is, on a
8 stand-alone basis, the eighth largest water or sewer utility in the state in terms of customers
9 served. As a combined water and sewer utility, it ranks behind only Missouri-American and
10 Aqua Missouri in total number of Missouri customers. If it is combined with Ozark Shores,
11 which shares the cost of executive management with Lake Region, they collectively rank fifth
12 in revenue, sixth in number of customers and third in number of feet of water/sewer mains of
13 the water or sewer utilities in Missouri.

14 Lake Region and Ozark Shores have total number of customers as follows:

Utility System Customers	Lake Region Customers	Ozark Shores Customers	Combined Total Customers
Shawnee Bend Water	641		641
Shawnee Bend Sewer	615		615
Horseshoe Bend Water		1,790	1,790
Horseshoe Bend Sewer	144		144
Total Customers	1,400	1,790	3,190

15 Q. What are the total revenues for Lake Region and Ozark Shores?

16 A. The revenues for each operating system for both of these companies are:

Utility System Revenues	Lake Region Revenues	Ozark Shores Revenues	Combined Total Revenues
Shawnee Bend Water	\$174,443		
Shawnee Bend Sewer	\$492,942		

Horseshoe Bend Water		\$592,719	\$592,719
Horseshoe Bend Sewer			
Total Revenues	\$667,385	\$592,719	\$1,260,104

Q. What is the total amount of pipe line that the executive management team is responsible for maintaining?

A. Lake Region and Ozark Shores have total number of feet of pipeline which it is responsible:

Utility System Feet of Pipeline	Lake Region Feet of Pipeline	Ozark Shores Feet of Pipeline	Combined Total Feet of Pipeline
Shawnee Bend Water	96,832		96,832
Shawnee Bend Sewer			
Horseshoe Bend Water		216,427	216,427
Horseshoe Bend Sewer	8,914		8,914
Total Feet of Pipeline	105,746	216,427	322,173

Q. Do you know of any company the size of Lake Region that does not require management leadership?

A. No. Considering the total number of customers served by Lake Region, as well as the number of customers served by its affiliate company, Ozark Shores, it is necessary to have an executive management team in place to direct and guide the operations of these entities. As can be seen from the table above, the executive team is responsible for 1,400 total customers for Lake Region and 1,790 for Ozark Shores which is a combined total of 3,190 customers, sizable operations.

Q. Do the costs determined to be appropriate for executive management costs all go to one entity operated by Lake Region?

A. No. The total amount of \$27,901, which is Lake Region's equal share of management costs, is further assigned to the three operating entities of Horseshoe Bend Sewer

1 (\$13,309), Shawnee Bend Water (\$7,115) and Shawnee Bend Sewer (\$7,477). Please refer to
2 Schedule VWH-3 for a detailed breakdown of these three amounts.

3 Q. Do you believe the costs Staff included in the Lake Region rate cases
4 are reasonable?

5 A. Yes, I do.

6 Q. Does this conclude your Surrebuttal testimony?

7 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF V. WILLIAM HARRIS

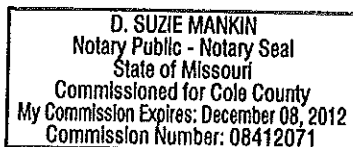
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

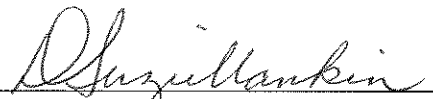
V. William Harris, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 16 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that 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.



V. William Harris

Subscribed and sworn to before me this 12th day of March, 2010.





Notary Public

Lake Region Water & Sewer Comapny
Case Nos. SR-2010-0110 and WR-2010-0111

Water & Sewer Revenues >\$500,000

UTILITY COMPANY NAME	UTILITY TYPE	CY-2008 INTRASTATE REVENUE	Number of customers	Water and sewer mains (in feet)	Management Fees (outside services)	Management Salary (payroll)	Total Payroll (inc. mgmt.)
Algonquin Water Resources of Missouri, LLC	Water & Sewer	\$697,914	not in Annual Report		not included in annual report		
Aqua Missouri, Inc. (CU)	Water & Sewer	\$912,200	2,544	216,562	\$51,717	\$75,588	\$309,278
Aqua Missouri, Inc. (RU)	Water	\$399,067	897	134,497	\$23,510		\$103,650
Aqua Missouri, Inc. (Combined)	Water & Sewer	\$1,311,267	3,441	351,059	\$75,227	\$75,588	\$412,928
House Springs Sewer Company, Inc	Sewer	\$560,295	not in Annual Report			\$59,383	\$125,161
Roark Water and Sewer, Inc.	Water & Sewer	\$556,778	1,290	54,567	\$33,369		not in annual report
Timber Creek Sewer Company	Sewer	\$662,693	1,313	176,998		\$70,510	\$242,967
Tri-States Utility, Inc	Water	\$961,786	3,484	227,244	not in Annual Report		\$213,600
U.S. Water Company	Water	\$742,014	2,135	223,769		\$97,200	\$387,904
TOTAL WATER and SEWER		\$5,492,747	11,663	1,033,637	\$183,823	\$302,681	\$1,382,560
Average		\$784,678	2,333	206,727		\$486,504	\$276,512
						\$97,301	
Lake Region Water and Sewer Co.	Water & Sewer	\$667,385	1,400	105,746	\$27,901		\$203,557
Ozark Shores Water Company	Water	\$592,719	1,790	216,427	\$27,901		\$186,799
Lake Region and Ozark Shores Combined		\$1,260,104	3,190	322,173	\$55,802	\$0	\$390,356
Camden County Public Water Supply District	Water & Sewer	\$378,017	293	unknown			
Horseshoe Bend /Shawnee Bend Total Service Area		\$1,638,121	3,483	322,173			
Empire District Electric Company, The	Water	\$1,782,121	4,603	302,499	not included in annual report		
Missouri-American Water Company	Water & Sewer	\$180,630,492	464,730	unknown		\$183,523	not in annual report
Raytown Water Company	Water	\$2,750,933	6,525	364,111		\$141,832	\$571,578

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

AMERICAN WATERWORKS ASSOCIATION 2008 WATER UTILITY COMPENSATION SURVEY (Thirteenth Annual)								
Type	# of Utilities	# of Employees	50th Percentile	Weighted Avg Pay	Average Salary Range			Company Calculation
Top Executive	Board Operated	382	375	\$99,576	\$114,608	\$91,209	\$112,012	\$130,661
	City/County	277	262	\$96,159	\$100,190	\$79,121	\$97,356	\$114,773
	Private	18	18	\$92,500	\$133,005	-	-	-
	Other	23	23	\$110,000	\$123,692	\$124,475	\$156,576	\$180,957
	All	700	678	\$98,440	\$109,833	\$85,280	\$104,806	\$123,161
Top Engineering Executive	Board Operated	142	131	\$100,000	\$106,863	\$84,379	\$103,297	\$120,271
	City/County	133	120	\$99,288	\$94,100	\$71,580	\$88,022	\$103,977
	Private	5	5	\$102,510	\$111,600	-	-	-
	Other	7	7	\$115,320	\$111,872	-	-	-
	All	287	263	\$95,672	\$101,263	\$77,711	\$95,281	\$117,461
Top Finance Executive	Board Operated	202	192	\$90,447	\$97,952	\$79,338	\$97,442	\$113,224
	City/County	122	115	\$82,764	\$84,990	\$67,713	\$84,831	\$98,650
	Private	5	5	\$116,000	\$153,342	-	-	-
	Other	9	9	\$102,492	\$117,722	\$88,752	\$107,470	\$120,316
	All	338	321	\$88,797	\$94,725	\$74,922	\$92,875	\$107,561
Average								\$132,649

MERIC Central Region (includes Camden County)									
Occupation	Employment	Hourly Wage				Annual			
		Mean	Entry	Experienced	Median	Mean	Entry	Experienced	Median
11 - Management Occupations									
Chief Executives	550	\$57.32	\$32.84	\$69.55	\$47.29	\$119,218	\$68,315	\$144,669	\$98,368
General and Operations Managers	2,300	\$38.96	\$20.14	\$48.37	\$31.49	\$81,034	\$41,881	\$100,610	\$65,506
Marketing Managers	90	\$41.66	\$26.88	\$49.05	\$38.99	\$86,657	\$55,903	\$102,033	\$81,098
Sales Managers	230	\$37.42	\$21.44	\$45.41	\$33.80	\$77,841	\$44,601	\$94,461	\$70,309
Computer and Information Systems Mgrs.	360	\$39.10	\$28.55	\$44.37	\$37.83	\$81,320	\$59,375	\$92,293	\$78,677
Financial Managers	420	\$45.21	\$28.49	\$53.58	\$41.85	\$94,046	\$59,255	\$111,442	\$87,048
Industrial Production Managers	140	\$37.56	\$23.90	\$44.38	\$33.90	\$78,115	\$49,711	\$92,318	\$70,518
Purchasing Managers	50	\$41.06	\$23.25	\$49.96	\$35.74	\$85,404	\$48,365	\$103,923	\$74,344
Source: Missouri Economic Research and Information Center (MERIC) website @ http://missourieconomy.org/									

Missouri-American Water Company	President	\$183,523
Raytown Water Company	Exec Owners	\$141,832
Aqua Missouri, Inc.	Corporate	\$150,815
U.S. Water Company	Exec Owners	\$97,200
Timber Creek Sewer Company	Exec Owners	\$70,510
Source: 2008 Annual Reports		
AVERAGE		\$128,776

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

Adjustment for Executive Management Oversight

<u>Executive Compensation</u>			<u>Total</u>				
Annualized Executive Compensation		\$132,649	from the <i>American Water Works Association's 2008 Water Utility Compensation Survey</i>				
annualized hours (40 hrs * 52 wks)		2080					
Compensated cost per hour		\$63.77					
Annualized hours (3 days per month)		288	<u>Ozark Shores</u>	<u>Lake Region</u>	<u>Lake Region</u>		
					<u>Shawnee Bend Water at 25.5%</u>	<u>Shawnee Bend Sewer at 26.8%</u>	<u>Horseshoe Bend Sewer at 47.7%</u>
Officer 1- Financial	3 eight hr days per mo.	\$18,367	\$9,183	\$9,183			
Officer 2- Operations	2 on-site 1 in office	\$18,367	\$9,183	\$9,183			
Total Executive Compensation		<u>\$36,734</u>	<u>\$18,367</u>	<u>\$18,367</u>	<u>\$4,684</u>	<u>\$4,922</u>	<u>\$8,761</u>
<u>Travel, Lodging and Meals</u>							
Officer 1- Financial	24 nights lodging @	\$2,070	\$1,035	\$1,035			
Officer 2- Operations	\$86.24 per nite	2,070	1,035	1,035			
Officer 1- Financial	meals @ per diem of \$36 per day for 24 days	864	432	432			
Officer 2- Operations		864	432	432			
Auto travel	12 monthly 400 mi. trips @ \$.50 per mi.	2,400	1,200	1,200			
Air travel	12 Dallas-KC flights \$375 plus \$25 misc.	4,800	2,400	2,400			
Total Travel, Lodging and Meals		<u>\$13,068</u>	<u>\$6,534</u>	<u>\$6,534</u>	<u>1,666</u>	<u>1,751</u>	<u>3,117</u>
<u>Total Corporate Office</u>							
Corporate Office	10% of \$4000 per mo. (12 mo)	<u>\$4,800</u>	<u>\$2,400</u>	<u>\$2,400</u>	<u>612</u>	<u>643</u>	<u>1,145</u>
<u>Total Communication Expense</u>							
Communication Expense	includes email, fax and 2 cells (\$50*2)*12 mos.	<u>\$1,200</u>	<u>\$600</u>	<u>\$600</u>	<u>153</u>	<u>161</u>	<u>286</u>
TOTAL Cost of Exec. Management Oversight		<u>\$55,801</u>	<u>\$27,901</u>	<u>\$27,901</u>	<u>\$7,115</u>	<u>\$7,477</u>	<u>\$13,309</u>