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August 21, 2009

**FILED**<sup>3</sup>

AUG 24 2009

MISSOURI PUBLIC SERVICE COMMISSION  
P.O. Box 360  
Jefferson City, MO 65102

Missouri Public  
Service Commission

**RE: Case No. WW 2009-0386**  
***Working Case for Missouri's Small Water and Sewer Public Utilities***

Dear Commissioners:

I have the privilege of representing Roark Water and Sewer Company (Roark) which is small water and sewer utility in southwest Missouri. Its certificated area is the Stonebridge Village development just west of Branson on highway 76 across from Silver Dollar City and Indian Point. This area of our state has seen explosive growth over the past 20 years; however, as with many developing areas affected by local and regional economic conditions, the development of Stonebridge Village has not remained steady. Rather, it has been unpredictable and development has transitioned between several different developers, each with differing concepts and plans of development as economic conditions have changed. This inconsistent development has impacted Roark in many ways.

Roark was formed to provide waste water treatment and clean water supply to Stonebridge Village. Stonebridge began as a Cooper Communities planned community development and required significant infrastructure. The capital investment required to trench lines and build the sewer system was in excess of \$10 million dollars. Roark is still expanding its system in the development, but the pace of development has slowed considerably. The concept of the planned development has also changed from its inception, and customer base issues for Roark have always been a big concern due to the high costs of construction in this part of the state.

In addition, water quality issues are paramount in the Table Rock Lake area. The state places a high priority on maintaining water quality in this region due to the economic impact of the lake on the state's economy. With the karst topography that abounds in

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southwest Missouri, Roark must operate under close DNR scrutiny, and has an obligation to maintain its systems within state mandated guidelines.

For companies like Roark to survive as viable utilities, they must be able to attract capital. This is done, theoretically, by allowing investors to earn a reasonable rate of return. This rate of return is set in the rate-making process in which every financial aspect of the company is considered, and costs and expenses are strictly scrutinized. Through this process, the public interest is protected. The utility is operating with "monopoly power" and the rates it is allowed to charge cannot be set too high because the consumer has no choice but to accept the rates. Therefore, rate-making is critical to set the path for the utility to operate into the future.

Unpredictability of economic conditions translates into increased risk that hinders the attraction of capital. Roark has incurred significant costs in the construction of its sewer and water system to serve Stonebridge Village, and recently redirected its waste water through the construction of a new sewer interceptor line. This project was a significant expense for Roark. Now, the City of Branson treats the waste water from Stonebridge Village. Admittedly, the sewer interceptor was not envisioned five (5) years ago. Rather than incur additional capital expenditures to increase the capacity of the waste water treatment plant at Stonebridge, a decision was made to construct a new sewer inceptor line to eliminate future treatment plant capacity issues. Notwithstanding, Roark is still operating with expenses exceeding revenues, and for some time now, has been considering its options to correct the shortfalls in its operations.

The cost of a rate case is very significant for small companies. Attorney's fees as well as expenses for financial audits prohibit many small companies from initiating a full rate case. Moreover, the small company rate procedures can also be an impediment for seeking new rates. Small company rate procedures come with a large price tag and often Commission Staff provides directives that do not always consider the unique circumstances facing each company. The approach that what works for some in other parts of the state will not necessarily work for Roark in southwest Missouri.

The interests of the public and the regulated utilities can be balanced under a fair rate-making process that allows the small utilities the flexibility to seek rate changes promptly to address the economic realities of the marketplace. The public and the PSC should desire small utility companies to provide water and sewer in an economically feasible way. In the end, customers must pay for the true "cost" of the services provided, and the PSC must allow the utility to charge rates that will allow a reasonable rate of return

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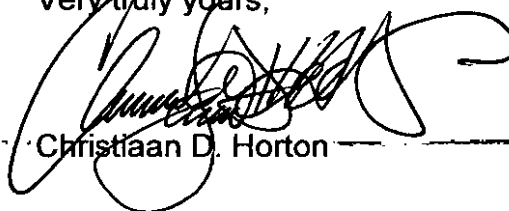
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for the particular utility. Companies like Roark may be "small" by definition, but it is the small companies that often serve where no one else can or will.

In light of the above, as well as the other comments submitted to date, it appears that the procedures for small company rate cases could be drastically improved. Focus should be placed on the process and procedures utilized in proving the costs and expenses for the utility so the administrative costs for seeking a rate adjustment are not an impediment to the process. Staff guidance and input is certainly appreciated, but the Commission should take a more active role in oversight of small company rate cases which will allow more transparency in the review and ultimate decision made. Development of commission approved forms for small company rate case review would aid in this regard. If small companies have the tools to prepare the information that PSC Staff and the Commission need for rate review, they can provide the information in an organized and efficient manner. This will accelerate the review and decision-making process.

These comments are provided with an aim toward focusing continued discussion and dialogue on this subject matter. I would encourage the Commission to hold a workshop at which interested parties can gather to discuss the identified problems and potential solutions offered through this working case. If we all place our efforts on improving the small company rate-making process, companies like Roark can remain a viable part of our state's economy and maintain the necessary services for their customers.

Very truly yours,



Christiaan D. Horton

CDH/ske

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