

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

In the Matter of the Application of Lake	)	
Region Water & Sewer Company for a	)	
Certificate of Convenience and Necessity	)	
authorizing it to construct, install, own,	)	<u>Case No. WA-2005-0463, et al.</u>
operate, control, manage and maintain a	)	(Tariff File Nos. YW-2007-0459 & YS-2007-0460)
water and sewer system for the public	)	
located in an unincorporated area in	)	
Camden County, Missouri.	)	

**RECOMMENDATION FOR APPROVAL OF TARIFF SHEETS**

COMES NOW the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its Recommendation for Approval of Tariff Sheets (Recommendation) states the following to the Missouri Public Service Commission (Commission).

1. On October 26, 2006, the Commission issued its **Order Approving Application for Certificate of Convenience and Necessity** (Order) in this case, in which it granted Lake Region Water & Sewer Company (Company) a certificate of convenience and necessity to expand its authorized water and sewer service areas. As a part of its Order, the Commission directed the Company to file new and revised tariff sheets consistent with the Order.

2. On January 4, 2007 (unless noted otherwise, all dates hereafter refer to the year 2007), the Company filed new and revised water and sewer tariff sheets intended to be in compliance with the above-referenced Order. The subject tariff sheets bore an issue date of January 4 and an effective date of February 3. Upon receipt of the tariff filing, the subject water tariff sheets were assigned Tariff File No. YW-2007-0459 and the subject sewer tariff sheets were assigned Tariff File No. YS-2007-0450.

3. Included with the Company's January 4 tariff filing was a copy of an executed contract that is directly related to this case and the tariff filing. The title of that document is

"Consolidation of and Amendments to Development Agreements" (the company/developer contract), and is the contract previously referenced in various filings made in this case.

4. On January 9 and January 18, the Company submitted substitute sheets for certain of the tariff sheets included in its January 4 filing, as requested by the Staff. These substitute sheets were necessary to correct some tariff sheet numbering errors and to clarify some of the new tariff provisions resulting from this case, in relation to certain provisions of the company/developer contract.

5. The Staff has reviewed the tariff sheets included with the Company's January 4th tariff filing, and the substitute sheets that the Company submitted on January 9 and January 18. Based upon its reviews, the Staff has concluded that the tariff sheets now pending in Tariff File Nos. YW-2007-0459 and YS-2007-0460 are in compliance with the Commission Order referenced in Paragraph 1 above.

6. Regarding the company/developer contract that the Company included with its January 4 tariff filing, the Staff notes that certain Staff members participated in the negotiations regarding various aspects of the contract, specifically including the provisions of Section 12 and Section 23. Further, the Staff notes that its participation in the contract negotiations included its representatives calculating the CIAC Surcharges referenced in Section 12 of the contract, which are also the CIAC Surcharges included in the tariff sheets that are the subject of this Recommendation. Regarding the calculation of the CIAC Surcharges, the worksheets included in Appendix A attached hereto include the information used to calculate the surcharges and an explanation of the calculations.

7. The Staff has also reviewed the status of the Company's assessment payments and annual report filings and notes that the Company has no delinquencies in regard to either of these

matters. The assessment information reviewed covers fiscal years 1996 – 2007, and the annual report information reviewed covers calendar years 1997 – 2005. Additionally, the Staff notes that the Company currently has no other cases pending before the Commission. Therefore, the approval of the tariff sheets that are the subject of this Recommendation will not affect any other matter before the Commission with regard to the Company.

8. Upon Commission approval of the tariff sheets that are the subject of this Recommendation, no further action will be needed in this case and it may thus be closed.

9. Based upon the above, the Staff recommends that the Commission issue an order that: (a) approves the tariff sheets pending in Tariff File Nos. YW-2007-0459 and YS-2007-0460 to be effective as of February 3, 2007; and (b) closes this case.

10. Included with this Recommendation is the affidavit of Staff member Dale W. Johansen, Manager of the Commission's Water & Sewer Department, wherein he verifies, among other things, his participation in the preparation of this Recommendation.

**WHEREFORE**, for the foregoing reasons, the Staff respectfully requests that the Commission issue an order approving the tariff sheets that are the subject of this Recommendation.

Respectfully Submitted,

/s/ **Robert S. Berlin**

Robert S. Berlin  
Senior Counsel  
Missouri Bar No. 51709

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Missouri Public Service Commission

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of this Recommendation have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 26th day of January 2007.

/s/ *Robert S. Berlin*

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

**AFFIDAVIT OF DALE W. JOHANSEN**

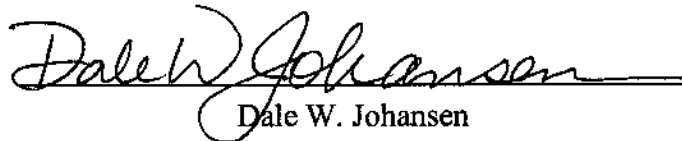
STATE OF MISSOURI     )

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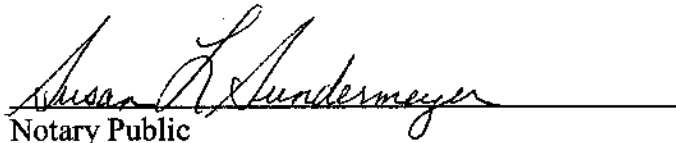
**CASE NO. WA-2005-0463, et al.**

COUNTY OF COLE     )

COMES NOW Dale W. Johansen, being of lawful age, and on his oath states the following: (1) that he is the Manager of the Missouri Public Service Commission's Water & Sewer Department; (2) that he participated in the preparation of the foregoing Recommendation; (3) that he participated in the review of the tariff sheets that are the subject of the foregoing Recommendation; (4) that he participated in certain aspects of the negotiations of the company/developer contract referenced in the foregoing Recommendation; (5) that he prepared the worksheets included in the following Appendix, which are referenced in the foregoing Recommendation; (6) that he performed the review of the status of Lake Region Water & Sewer Company's annual report submissions and assessment payments, as discussed in the foregoing Recommendation; (7) that he performed the review of other cases before the Commission, as discussed in the foregoing Recommendation; (8) that he has knowledge of the matters set forth in the foregoing Recommendation and the worksheets included in the following Appendix; and (9) that the matters set forth in the foregoing Recommendation and the worksheets included in the following Appendix are true and correct to the best of his knowledge, information and belief.

  
Dale W. Johansen

Subscribed and sworn to before me this 26<sup>th</sup> day of January 2007.

  
Notary Public

My Commission Expires: 9-21-10



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

# APPENDIX A

## CIAC Surcharge Calculations

Staff Recommendation for Approval of Tariff Sheets

Case No. WA-2005-0463, et al.

**Lake Region Water & Sewer Company**

**Costs for the MM-Chimney Point  
Water & Sewer Pipeline Projects**

(all entries rounded to nearest \$5 increment)

<b>Hancock Construction Company Invoices</b>			<b>Midwest Engineering Company Invoices</b>		
<b>Item No.</b>	<b>Description of Item</b>	<b>Amount</b>	<b>Item No.</b>	<b>Description of Item</b>	<b>Amount</b>
1	connections to existing systems	600	1	Invoice No. 496	10,000
2	12" water main	245,650	2	Invoice No. 527	15,000
3	8" water main	123,035	3	Invoice No. 539	380
4	12" water valve	2,030	4	Invoice No. 587	7,500
5	8" water valve	2,555	5	Invoice No. 624	190
6	air release valve pits (water/sewer)	8,590	6	Invoice No. 657	7,500
7	12" road bore (MM)	3,700	7	Invoice No. 688	450
8	16" road bore (MM)	4,900	8	Invoice No. 687	7,500
9	6" sewer main	59,715	9	Invoice No. 733	965
10	6" sewer main	129,650	10	Credit Memo re: Invoice No. 587	-2,500
11	6" sewer valve	1,000	11	Invoice FC 160 (finance charge)	780
12	4" sewer main	19,575	12	Invoice FC 175 (finance charge)	535
13	4" sewer valve	320	13	Invoice No. 1015	730
14	SB-2 booster station	50,985	14	Invoice FC 204 (finance charge)	100
15	mobilization	10,000	15	Total Project Costs	49,130
16	route changes	1,375			
17	12" road crossing (chimney pt. road)	160			
18	road bore casing size increase	1,600			
19	concrete basins	500			
20	valve pits under power lines	870			
21	seed & mulch right-of-way	410			
22	additional water relief valve	1,830			
23	additional sewer relief valve	1,830			
24	water main extension (spruce road)	2,105			
25	interest on account	25,195			
26	Total Project Costs	698,180			

<b>Miscellaneous Expenses</b>		
<b>Item No.</b>	<b>Description of Item</b>	<b>Amount</b>
1	Missouri Plumbing (misc. supplies)	2,535
2	Permits	600
3	Attorney's Fees	8,340
4	Survey	5,000
5	Total Project Costs	16,475

**Total Project Costs to be  
Recovered thru CIAC Surcharges**

<b>Item No.</b>	<b>Description of Item</b>	<b>Amount</b>
1	Pipelines	698,180
2	Engineering	49,130
3	Miscellaneous	16,475
4	Total Project Costs	763,785

**Calculation of CIAC Surcharges for Recovery of  
Project - All Connections - No Carrying Costs**

<b>Cost to Recover</b>	<b>763,785</b>
<b>Hook-Ups Available for Recovery</b>	<b>1,800</b>
<b>Common CIAC Surcharge</b>	<b>425</b>

applies to each connection for water service and each connection  
for sewer service = 900 each based on capacities of pipelines;  
surcharge rounded to nearest \$5 increment

**Calculation of Developer and Non-Developer  
Investment "Shares" in Total Project Cost**

<b>Type of Hook-Ups</b>	<b>No. of Hook-Ups</b>	<b>Project Investment</b>
<b>Developer</b>	<b>830</b>	<b>352,750</b>
<b>Non-Developer</b>	<b>970</b>	<b>411,035</b>

1) developer hook-ups = 215 water & 215 sewer for Majestic Point  
and 200 water & 200 sewer for Shawnee Bend/Tom Biggs

2) developer investment = no. of hookups x \$425 common  
CIAC Surcharge from above calculation

3) non-developer hook-ups = 1,800 total - developer hook-ups

4) non-developer investment = total project - developer investment

**Carrying Costs for Non-Developer Investment  
15 Year Recovery Period - 6% Interest**

<b>Avg. Annual No. of Connections</b>	<b>65</b>
(970 non-developer connections / 15 years)	

<b>Avg. Annual Cost Recovery</b>	<b>27,625</b>
(without carrying costs = annual connections x \$425)	

<b>Year</b>	<b>Investment Balance</b>	<b>Annual Interest</b>
1	411,035	24,662
2	383,410	23,005
3	355,785	21,347
4	328,160	19,690
5	300,535	18,032
6	272,910	16,375
7	245,285	14,717
8	217,660	13,060
9	190,035	11,402
10	162,410	9,745
11	134,785	8,087
12	107,160	6,430
13	79,535	4,772
14	51,910	3,115
15	24,285	1,457
16	<b>Total</b>	<b>195,894</b>
		195,895

**Calculation of CIAC Surcharges for Recovery  
of Non-Developer Investment & Carrying Costs**

<b>Project Costs to Recover</b>	<b>411,035</b>
<b>Interest to Recover</b>	<b>195,895</b>
<b>Total Amount to Recover</b>	<b>606,930</b>
<b>Hook-Ups Available for Recovery</b>	<b>970</b>
<b>Common CIAC Surcharge</b>	<b>625</b>

applies to each connection for water service and  
each connection for sewer service = 485 each;  
surcharge rounded to nearest \$5 increment