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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

CARY G. FEATHERSTONE

LAKE REGION WATER & SEWER COMPANY

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

**Jefferson City, Missouri
January 2010**

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1 Q. Have you previously testified before this Commission?

2 A. Yes. Schedule 1 to this testimony is a list of rate cases in which I have submitted
3 testimony. In addition, I also identify in Schedule 1 other cases where I directly supervised and
4 assisted Commission Staff in audits of public utilities, but where I did not testify.

5 Q. With reference to Case Nos. SR-2010-0110 and WR-2010-0111, have you
6 examined and studied the books and records of Lake Region Water & Sewer Company
7 (Lake Region or Company) regarding its water and waste water operations?

8 A. Yes, with the assistance of other members of the Commission Staff (Staff).

9 Q. What knowledge, skill, experience, training and education do you have with
10 regard to Lake Region's general water and sewer rate increase tariff filings that are the subject of
11 Case Nos. SR-2010-0110 and WR-2010-0111?

12 A. I have acquired knowledge of the ratemaking and regulatory process through my
13 employment with the Commission. I have participated in numerous rate cases, complaint cases,
14 merger cases and certificate cases, and filed testimony on a variety of topics. I have also
15 acquired knowledge of these topics through review of work papers from prior rate cases filed
16 before this Commission relating to Lake Region and its water and sewer operations. I have
17 previously examined the operations of other water and sewer companies. I have also been
18 involved in numerous other rate cases and merger cases involving electric, natural gas, steam and
19 telecommunication companies. I have previously examined generation and generation-related
20 topics; conducted and participated in several construction audits involving plant and construction
21 records, specifically the costs of construction projects relating to power plants. I have been
22 involved in the fuel and fuel-related areas for power plant production, and purchased power and
23 off-system sales on numerous occasions.

1 Specifically, as to the two rate cases filed by the Company, I reviewed testimony, work
2 papers and responses to data requests from Lake Region, along with previous documents such as
3 prior work papers from other cases. I conducted and participated in interviews of Company
4 personnel relating to these rate cases and performed discovery concerning aspects of the
5 construction and operation of Lake Region's operations.

6 **EXECUTIVE SUMMARY**

7 Q. Please summarize your testimony.

8 A. James M. Russo, of the Commission's Utility Operations Division, and I are the
9 project coordinators of the Lake Region water and sewer rate cases. Mr. Russo is the coordinator
10 for these rate cases for the Utility Operations Division and I am the coordinator for the Utility
11 Services Division. I am sponsoring Staff's Cost of Service Report in this proceeding that is being
12 filed concurrently with this testimony. Staff's Cost of Service Report supports Staff's
13 recommendation regarding the amount of rate increase that Staff expects will be needed in this
14 case.

15 I present an overview of the results of Staff's review into the general rate increase request
16 made by Lake Region on October 7, 2009. Several members of the Commission's Staff
17 conducted Staff's review by examining all relevant and material components making up the
18 revenue requirement calculation. These components can be broadly defined as capital structure
19 and return on investment, rate base investment and income statement results including revenues,
20 operating and maintenance expenses, depreciation expense, and related taxes, including income
21 taxes. I provide an overview of the Staff's work on each.

22 Q. What is Staff's recommendation regarding Lake Region's requested rate increase?

A. Staff recommends that Lake Region be permitted to increase its water and sewer rates to recover additional annual revenues based on the audit and review of the Company's operations as follows:

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

Source: Staff Exhibit Model System-- Schedule 5

A true-up is planned to reflect additional plant investment that is expected to be completed by March 2010. This plant addition relates to the installation of sewer lines and lift stations expected to be completed in time to be included in the true-up through March 31, 2010 and will result in higher plant investment requiring increases in return, depreciation expenses and operating costs. Any other plant additions and retirements will be reflected through the time of the true-up in this case causing costs to increase. Other costs that will be examined will likely include payroll and payroll related benefits.

Q. What are the major areas of this case?

A. The following represent a non-exhaustive list of areas that make up Staff's filing:

- Rate of Return proposed by Staff
- Plant upgrades for sewer lines and lift stations

- Executive Management costs
- Operating Costs of the three Lake Region operating systems
- Public Service Commission Annual Assessment
- Billing dispute with one of Lake Region's major customers

Q. Did you review any specific components of the revenue requirement calculation for Lake Region?

A. Yes. Another Staff witness, Martin L. Hummel of the Utility Operations Division's Water and Sewer Department, Bret G. Prenger of the Utility Services Division's Auditing Department and I have been examining a situation with a customer of Lake Region that is involved in a billing dispute with the Company. Mr. Hummel is providing direct testimony on this topic.

OVERVIEW OF LAKE REGION FILING

Q. What is the purpose of your direct testimony?

A. I present an overview of the results of Staff's review into the general rate increase request made by Lake Region on October 7, 2009 and provide an overview of the Staff's work on each component making up Staff's revenue requirement calculation for Lake Region. Several members of Commission Staff had specific assignments in this rate case and were responsible for the actual calculations used to develop the overall revenue requirement contained in the Accounting Schedules (the Staff's revenue requirement model is referred as to Exhibit Model System or EMS run) being filed as part of Staff's direct case. The revenue requirement is derived from the work product of both the Utility Services and the Operations Divisions and the results are found in Accounting Schedules being separately filed as an exhibit in this case. My Direct Testimony, along with the Cost of Service Report and Accounting Schedules, represent

1 the revenue requirement calculation. These documents should be reviewed in total in support of
2 Staff's recommendations in this case.

3 Q. Why did Staff audit Lake Region in this case?

4 A. On October 7, 2009, the Company filed a general rate increase case for its water
5 and sewer operation systems in the state of Missouri. The Commission assigned the filing Case
6 Nos. SR-2010-0110 and WR-2010-0111. Lake Region filed tariffs designed to implement an
7 increase in its water rates, exclusive of applicable gross receipts, sales or franchise,
8 corresponding to a revenue increase of \$331,223. This represents an overall 50% increase to
9 existing Lake Region rates. The Company proposes a rate of return on equity of 10.51% applied
10 to a 60% equity capital structure.

11 Lake Region's overall rate increase is further broken down between its three separate rate
12 tariff structures of the Shawnee Bend water operations, Horseshoe Bend sewer operations and
13 Shawnee Bend sewer operations. The original water increase in Case No. WR-2010-0111
14 represents a revenue increase of \$46,800, or an increase over existing revenues of 28%. The
15 original sewer rate increase for Horseshoe Bend represents an increase of \$160,600, or an
16 increase over existing revenues of 51% and, for Shawnee Bend, an increase of \$123,822, or an
17 increase over existing revenues of 70%.

18 Q. Has the Company revised its rate application?

19 A. Yes. Lake Region revised its original filed October 7, 2009 rate request on
20 December 7, 2009. The revised amount of the rate increase is now \$215,622 from the original
21 \$331,223 amount. This revised amount is broken down between the operating divisions with a
22 comparison to the original amounts requested as follows:

Operating Division	Revised Amount submitted December 7th	Percentage Increase	Original Amount filed October 7th	Percentage Increase
Water	\$28,182	17%	\$46,800	28%
Horseshoe Bend	\$78,307	25%	\$160,600	51%
Shawnee Bend	\$109,133	61%	\$123,822	70%
Total	\$215,622	32%	\$331,223	50%

BRIEF HISTORY OF LAKE REGION

Q. Please provide a brief history of Lake Region's utility operations.

A. Lake Region is currently owned by a limited partnership of RPS Properties, L.L.P., with its General Partner, Robert P. Schwermann, and Sally Stump. Vernon L. Stump, is the President of the Company. Mr. Schwermann was the President of the Company until September 2009. This partnership also owns North Suburban Public Utility Co. (North Suburban) which owns another company regulated by the Commission named Ozark Shores Water Company (Ozark Shores) which is an affiliate of Lake Region. This partnership group also owns Northern Illinois Investment Group, Inc., which is also known as Fairhaven. North Suburban also owns and operates a very small water and sewer company in the Northern part of Illinois.

Q. What is Lake Region?

A. Lake Region is a water and sewer company providing regulated water and wastewater sewer services to the Horseshoe Bend and Shawnee Bend areas at the Lake of the

Ozarks. Horseshoe Bend has approximately 140 sewer customers and Shawnee Bend has approximately 600 water and sewer customers. The Company operates and maintains two wells, elevated water storage facility, sewage pumping (lift) stations and waste water sewer lines connected to waste water treatment facilities.

The Company was originally named Four Seasons Lake Sites Water & Sewer Company (Four Seasons) and was part of the original Lodge of the Four Seasons resort community. These properties were sold over various periods of time. The Commission granted the original owners a certificate of convenience and necessity December 31, 1973 in Case No. 17,954. This certificate was amended in Case No. 18,002 on May 16, 1974 to expand water service in an area immediately adjacent to the previously authorized certificated area. The service area was expanded again in Case No. SA-89-135.

Four Seasons sold the water system on Horseshoe Bend to Ozark Shores in 1992. After this sale transaction, it changed its name to Four Seasons Water and Sewer Company in Case No. SA-98-248. A name change occurred again on March 18, 1999 to Lake Region Water & Sewer Company. Lake Region was granted a certificate to provide water and sewer service in the Shawnee Bend area on October 26, 1999 in Case No. SA-2000-295.

STAFF FINDINGS AND RECOMMENDATION FOUND IN THE COST OF SERVICE REPORT AND ACCOUNTING SCHEDULES

Q. What is Staff's recommendation regarding Lake Region's requested rate increase?

A. Staff recommends that Lake Region be permitted to increase its water and sewer rates to recover an additional revenues based on the audit and review of the Company's operations as follows:

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
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Horseshoe Bend Sewer	(\$55,814)	\$371,471

Source: Staff Exhibit Model System-- Schedule 5

These proposed increases are based on Staff's proposed over all rate of return of 5.58% with an equity return of 8.50%, which is the mid-point of Staff witness Atkinson's range of returns on equity of 8.0% to 9.0%.

A true-up is planned to reflect additional plant investment that is expected to be completed by March 2010. This plant addition relates to the installation of sewer lines and lift stations expected to be completed in time to be included in the true-up through March 31, 2010 and will result in higher plant investment requiring increases in return, depreciation expenses, and operating costs. Any other plant additions and retirements will be reflected through the time of the true-up in this case causing costs to increase. Other costs that will be examined will likely include payroll and payroll related benefits.

Q. How did Staff conduct its audit of Lake Region?

A. Staff interviewed Lake Region personnel. Staff reviewed Lake Region's responses to data requests issued in this case. Staff reviewed the minutes of meetings of Lake Region's Board of Directors as well as the Board minutes of other companies affiliated with Lake Region such as Ozark Shores. Staff relied on the books and records of the Company including: the general ledger, plant ledgers and various other documents including payroll and

1 revenue billing records. Staff toured plant facilities, and discussed various operating conditions
2 of the water and sewer operations. Also, Staff interviewed and reviewed the operations of one of
3 Lake Region's largest customer, the Four Seasons Racquet and Country Club Property Owner's
4 Association (Racquet Club or Customer), which is the company who has intervened in this case
5 and has a billing dispute with the Company.

6 Q. What Staff experts were assigned to this case?

7 A. Several Staff experts from the Commission's Utility Services Division were
8 assigned to this case. Their names follow with a brief description of their contribution to the
9 Staff's Cost of Service Report:

10 **Financial Analysis Department--**

11 Shana Atkinson -- Rate of Return and Capital Structure

12 **Engineering and Management Services Department--**

13 Nila S. Hagemeyer -- Quality of Service

14 David Williams -- Depreciation Rates

15 **Auditing Department--**

16 Cary G. Featherstone -- Project Coordinator for Utility Services Division; Overall
17 Revenue Requirement Results

18 V. William Harris -- Executive Management Costs and Income Taxes

19 Karen Herrington -- Plant in Service, Accumulated Depreciation Reserve,
20 Depreciation Expense; Contributions in Aid of Construction, Operation and Maintenance
21 Expense -- Non-wage

22 Bret G. Prenger -- Water and Sewer Revenues and Uncollectible Revenues (Bad Debts),
23 Payroll and Payroll Related Benefits

1 Additionally, Commission Staff experts from the Utility Operations Division were
2 assigned to the development of the revenue requirement as follows:

3 **Water and Sewer Department--**

4 Martin L. Hummel -- Reviewed the billing matter with a large commercial customer

5 James M. Russo -- Project Coordinator for Utility Operations Division; Class Cost-of-
6 Service

7 Each of these Staff experts' work-product was used as a direct input to the various
8 adjustments contained in Staff's revenue requirement recommendation.

9 Q. Would you provide an overview of how the Staff assigned to this case worked
10 together to arrive at Staff's revenue requirement recommendation?

11 A. All of the Staff witnesses assigned to this case are experts by education and
12 experience in performing their regulatory responsibilities as members of the Commission Staff.
13 Regulatory experts rely on the work of many individual experts who provide inputs as result of
14 individual and collective review and evaluation of the public utility rate filings made before the
15 Commission - in this case by Lake Region. As such, all inputs developed by these regulatory
16 experts were an integral part of the Cost of Service Report and Accounting Schedule containing
17 the results of Staff's findings and recommendations. I relied on these findings and
18 recommendations to develop Staff's direct filing. Many of the individual sections presented
19 include references indicating reliance on the work of other contributing experts.

20 As the sponsoring witness for the Cost of Service Report, I relied on the work product of
21 every Staff expert assigned to this case. Each Staff expert provided the results of their review
22 and analysis as inputs to the revenue requirement calculation, and is identified in the sections of
23 the report drafted by that expert. An affidavit, credentials, and the qualifications of each Staff

1 expert are attached to the Report. Each Staff expert assigned to the Lake Region rate cases will
2 provide work papers supporting the findings and recommendations to the Company and any
3 party to the case requesting such be provided. Finally, each Staff expert assigned to this rate
4 case will be available to answer questions and stand cross-examination by the Commission and
5 any party requiring information on how Staff's findings and recommendations were developed
6 and presented in the Cost of Service Report and Accounting Schedules.

7 Q. What was your overall responsibility in this case?

8 A. I was one of two project coordinators assigned to identify the work scope for the
9 case, make Staff assignments, and supervise and oversee all work product development.
10 I specifically supervised all areas of the audit work assigned to and the responsibility of the
11 Auditing Department. I worked closely with other Staff experts assigned to these rate cases.
12 I worked with the depreciation and rate of return experts as well as the Utility Operations experts
13 assigned in their related areas.

14 I have overall responsibility to ensure the revenue requirement calculation using the
15 Staff's computer model is timely completed. This involves all aspects of the elements making up
16 the revenue requirement recommendation. To this end, I, along with those under my direct
17 supervision, either developed directly, or was provided with, the information used to support the
18 revenue requirement calculation.

19 Q. What information was provided to the Auditing Department to develop Staff's
20 revenue requirement recommendation?

21 A. Staff expert Shana Atkinson's recommendations for the capital structure and rate
22 of return analyses were provided as an input into the revenue requirement calculation and

1 appears as part of Accounting Schedule 8. Ms. Atkinson's findings are presented in Staff's Cost
2 of Service Report, along with her schedules.

3 Staff expert David Williams provided the results of his depreciation analysis, which also
4 are reflected in Staff's Cost of Service Report, and in a schedule.

5 Staff expert Karen Herrington provided the balances for plant in service, accumulated
6 depreciation and contributions in aid of construction. Ms. Herrington is also sponsoring expense
7 items in the three revenue requirement calculations for these operating systems of Lake Region.

8 Staff expert Bret G. Prenger developed and is sponsoring the revenue, payroll and related
9 payroll related benefits adjustment results.

10 Q. Did the Staff develop its revenue requirement recommendation in these rate cases
11 consistently with how Staff has developed its revenue requirements for other utilities when they
12 have made requests to increase their rates?

13 A. Yes. Based on my experience as a regulatory auditor and numerous rate cases
14 where I have been assigned the responsibilities as a project coordinator, the effect of the inputs
15 provided by the various Staff experts assigned to the Lake Region rate cases presented in the
16 Accounting Schedules and the results discussed in the Staff Cost of Service Report, were
17 developed consistently in these rate cases with how Staff has developed its revenue requirements
18 for other utilities. I believe the inputs provided by the various Staff experts assigned to the Lake
19 Region rate cases are reasonable.

20 Q. Does this January 14, 2010 filing by Staff present all of Staff's direct case?

21 A. No. Staff will file its rate design recommendation on January 21, 2010.

22 **Test Year and Known & Measurable Period**

23 Q. What is a test year?

1 A. A test year is a historical year used as the starting point for determining the basis
2 for adjustments which are necessary to reflect annual revenues and operating costs in calculating
3 any shortfall or excess of earnings by the utility. It is important to identify the utility's ongoing
4 costs to provide utility service in the future and what rates will need to be set at to collect those
5 ongoing costs in the future. In determining ongoing revenues and costs to develop the revenue
6 requirement, the first step is to identify the test year costs levels, which serve as the starting point
7 for all the adjustments to the case.

8 Q. What is the test year in this case?

9 A. The test year selected for both of these cases is the year ended December 31,
10 2008. The December 31, 2008 test year was chosen by the Company, agreed to by Staff, Office
11 of the Public Counsel and both Intervenors, and approved by the Commission in its December 1,
12 2009 Order Regarding Test Year and True-up Period. In that same Order the Commission also
13 approved the use of an update to the test year for known and measurable changes through
14 September 30, 2009. Annualization and normalization adjustments are made to the test year
15 results when the unadjusted results do not fairly represent the utility's most current annual level
16 of existing revenue and operating costs.

17 Selecting a "known and measurable date" or "known and measurable period" is important
18 to synchronize and capture all revenues and expenses. A proper determination of revenue
19 requirement is dependent upon considering all material components of the rate base, return on
20 investment, current level of revenues, along with operating costs, all at the same point in time.
21 This ratemaking principle is commonly referred to as the "matching" principle. The known and
22 measurable dates established for these cases are December 31, 2008 (test year), September 30,
23 2009 (update period) and March 31, 2010 (true-up period). The Staff's direct case filing

1 represents a determination of Lake Region's revenue requirement based upon known and
2 measurable results as of September 30, 2009. The September 30, 2009 date for the known and
3 measurable period was chosen to enable the parties and Staff an update period that provides time
4 to obtain actual information obtained from the Company upon which to perform analyses and
5 make calculations regarding various components to the revenue requirement. This date
6 represents the latest time frame to reflect known changes that can be measured or quantified with
7 respect to the timing of this filing.

8 Q. What is the purpose of the test year?

9 A. The purpose of a test year is to develop a relationship between the various
10 components of the ratemaking process and keep those relationships in synchronization. In order
11 to determine the appropriate level of utility rates, Staff examines the major elements of the
12 utility's operations. These include rate base items such as plant-in-service and accumulated
13 depreciation and deferred income tax reserves, material & supplies and other investment items.
14 Also essential in this process is a review of the revenues and expenses, making adjustments
15 through the annualization and normalization processes. These items include: payroll, payroll
16 related benefits, payroll taxes, office rent including utility (electricity) costs, chemical costs,
17 operation and maintenance costs for non-payroll related costs such as material and equipment
18 costs, small tool costs, and outside vendor costs for equipment repairs. Depreciation expense
19 and taxes, including federal, state, and property taxes, are all considered in the setting of rates.

20 It is important to maintain a representative relationship between rate base, revenues and
21 expenses in order for a public utility to have an opportunity to earn a fair and reasonable return.
22 An attempt is made in the regulatory process to set rates to properly reflect the levels of
23 investment and expenses necessary to serve a customer base which provides revenues to the

1 utility. The Commission stated in an Order involving the 1983 general rate case filed by Kansas
2 City Power & Light Company, Case No. ER-83-49:

3 The purpose of using a test year is to create or construct a reasonable
4 expected level of earnings, expenses and investments during the future
5 period in which the rates, to be determined herein, will be in effect. All of
6 the aspects of the test year operations may be adjusted upward or
7 downward to exclude unusual or unreasonable items, or include unusual
8 items, by amortization or otherwise, in order to arrive at a proper
9 allowable level of all of the elements of the Company's operations. The
10 Commission has generally attempted to establish those levels at a time as
11 close as possible to the period when the rates in question will be in effect.

12 In Case No. ER-83-49, regarding the need for a true-up, the Commission stated that it would not
13 "consider a true-up of isolated adjustments, but will examine only a package of adjustments
14 designed to maintain the proper revenue-expense-rate base match at a proper point in time.
15 [26 Mo P.S.C. (N.S.) 104, 110 (1983)] This concept of developing a revenue requirement
16 calculation based on consideration of all relevant factors has been a long-standing approach to
17 ratemaking in this state.

18 The ratemaking process includes making adjustments to reflect normal, on-going
19 operations of a utility. This process generally uses four approaches to reflect changes
20 determined to be reasonable and appropriate. These are commonly referred to as annualization
21 adjustments, normalization adjustments, disallowances, and pro forma adjustments.

22 **True-up**

23 Q. Is Staff proposing a true-up in these cases?

24 A. Yes. Since Lake Region is currently working on a construction project on the
25 Horseshoe Bend sewer system to enhance its sewer system, it is necessary to have a true-up in at
26 least that part of the rate request. Staff believes that since the Horseshoe Bend operating system
27 is being proposed to be trued-up, the Shawnee Bend water and sewer operating systems should

1 also be trued-up to reflect any increases or decrease to the over all revenue requirement
2 calculation using the most current information available to these cases. In its December 1, 2009
3 Order, the Commission determined that if a true-up was necessary then the true-up period should
4 be March 31, 2010.

5 Q. Why are true-ups used to base rates in a rate case?

6 A. True-ups have historically been used in cases where cost increases or decreases
7 are expected to occur during period subsequent to the known and measurable period, in this case
8 September 30, 2009. True-ups ensure that all material components of the revenue requirement
9 are examined so that rates are based on as current information as possible. The true-up process
10 looks at the changes in the revenue requirement to reduce regulatory lag. Since the true-up
11 revenue requirement will be the basis for rates in the case, it is especially important to consider
12 all the material elements to maintain proper revenue, expense and rate base relationship.

13 Q. What is regulatory lag?

14 A. Regulatory lag is the amount of time changes to the revenue requirement take
15 place until the time those impacts are reflected in rates. It is a desire of the rate setting process to
16 reduce to the extent possible regulatory lag. True-ups are designed to reduce or eliminate as
17 much as possible the events that cause changes in the rate structure. In the regulatory process, it
18 is a desire to establish rates with information as current as possible. Because of the timing of
19 rate cases, the initial revenue requirement is based on a known and measurable concept using a
20 period that exists prior to the direct testimony filing. Because of the requirement to base rates
21 using actual or historical information, the true-up procedure is used to obtain the latest
22 information available to develop the revenue requirement allowing for sufficient time for the
23 Commission to consider in its decisions.

Revenue Requirement Ratemaking Adjustments

Q. What is an annualization adjustment?

A. An annualization adjustment is made when costs or revenues change during the audit period that will be ongoing at a level different than they existed during the audit period. Typical examples are payroll increases granted to employees or employees starting employment mid-year which would require an annualization adjustment to reflect a full annual period of payroll costs-- without such an adjustment payroll would be understated. Reflecting new customers that start taking service at the end of the test year or update period would also require an annualization to properly reflect a full 12-month of revenues. If a customer takes service the last month of the update period -- in this case September 2009, no revenues from that customer will be included in the test year. Consequently, if that customer's only month of revenues is not reflected for a full twelve-month period, then revenues will be substantially understated, to the benefit of the utility.

Staff annualized many aspects of the current Lake Region rate cases, such as payroll and revenues.

Q. What is a normalization adjustment?

A. A normalization adjustment is an adjustment made to reflect normal, on-going operations of the utility. Revenues or costs that were incurred in the test year that are determined to be untypical or abnormal will get specific rate treatment. These abnormal events will generally require some type of adjustment to reflect normal or typical operations. The ratemaking process removes abnormal or unusual events from the cost of service calculations and replaces those events with normal levels of revenues or costs. An example of an abnormal event is the impact that unusually dry or rainy weather has on revenues for those customers that

1 are weather sensitive. The impact of extreme temperatures on customer usage for natural gas
2 and electrical companies can result in a distortion to test-year revenues. Since utility rates are set
3 using normalized processes, adjustments to test-year levels must be made when it is determined
4 that unusual or abnormal events cause unusually high or low results. In the case of weather
5 impacts on utility results, detailed information is examined to determine if revenues, and costs
6 must be adjusted for the effects that warmer or colder than normal temperatures have on the
7 utility operations. Weather results in the test year will be compared to actual temperatures over a
8 substantial period of time, many times a 30-year time horizon. An adjustment is made to
9 weather sensitive revenues in the test year to reflect normal weather conditions for steam sales
10 and resulting revenues. These weather-normalized sales volumes are used as basis for the fuel
11 and purchased power costs so that abnormal weather impacts are isolated and removed from
12 those costs.

13 Q. What is a disallowance adjustment?

14 A. This type of adjustment results in removing cost elements from the cost of service
15 for test-year results because the items are either non-recurring, not necessary to the provision of
16 utility service, or the expenditures were imprudent. A disallowance adjustment results when the
17 cost recovery in rates is considered inappropriate. Disallowances are made to eliminate costs
18 from test year results either entirely or on a partial basis. One example is the removal from test
19 year results of certain advertising costs. While some advertising costs should be included in
20 rates, others should be eliminated because they are not necessary to the provision of utility
21 service.

1 In this case Staff disallowed the costs charged to the test year for certain medical
2 insurance premiums incurred for one of the owners of Company as unnecessary for the provision
3 of utility service.

4 Q. What is a pro forma adjustment?

5 A. This type of adjustment is made to reflect increases and decreases to revenue
6 requirement because of a rate increase or decrease. Pro forma adjustments are made because of
7 the need to reflect the impact of items and events that occur subsequent to the test year. These
8 items or events significantly impact revenue, expense and the rate base relationship and should
9 be recognized to address the forward-looking objective of the test year. Caution must be taken
10 when recognizing pro forma adjustments to ensure that all items and events subsequent to
11 the test year are examined to avoid not recognizing offsetting adjustments. In addition, some
12 post-test year items and events may not have occurred yet and or may not have been sufficiently
13 measured. As a result, quantification of some pro forma adjustments may be more difficult than
14 the quantification of other adjustments. A true-up audit that considers a full range of items and
15 events that occur subsequent to the test year and update period attempts to address the
16 maintenance of proper relationship among revenues, expenses and investment as well as address
17 the difficulty in quantification associated with making pro forma adjustments.

18 The most common example of a pro forma adjustment is the grossing up of net income
19 deficiency for income tax purposes. This involves calculating the revenue requirement before
20 income taxes. If rates need to be adjusted to increase utility revenues, then those revenues need
21 to be factored up for income taxes. This is necessary because every additional revenue dollar
22 collected in rates requires income taxes to be paid.

As an illustration, if the utility needs to increase rates by \$100,000, then it must increase rates by a significantly greater amount to receive the full \$100,000 increase because of the income taxes that must be paid to the taxing authorities. As an example, the revenue requirement model (Accounting Schedule 1) used by Staff to determine the findings of the cost of service review calculates the revenue requirement as follows using illustrative dollar amounts only:

Net Income Required	\$100,000
Net Income Available	<u>60,000</u>
Additional Net Income Required	\$40,000
Income Tax Gross Up Factor (using a 38.39% effective tax rate)	<u>x 1.6231</u>
Recommended Revenue Requirement Increase	\$64,924

For the utility to recover the full \$40,000 of additional revenues on an after-tax basis as required based on the cost of service results found in Staff's analysis, rates would have to increase an additional amount of \$24,924 [\$64,924 less \$40,000 of additional revenue requirement impact] for payment of income taxes. This results in the total revenue requirement of \$64,924 that rates would have to be increased so the company would be left with \$40,000 needed to earn an appropriate return and recover allowed costs.

Another way of considering the affects of income taxes in the ratemaking process is:

Additional Revenue Collected in Rates from Rate Increase	\$64,924
Less: Income Tax Based on 38.39% Effective Tax Rate	<u>(24,924)</u>
Additional Net Income from Rate Increase	\$40,000

Revenue Requirement Calculation

Q. What is the revenue requirement as it is used in the determination of rates for public utilities?

(V - D) = Rate Base (Gross Property Investment less Accumulated Depreciation =
Net Property Investment)

(V - D) R = Return Allowed on Net Property Investment

This formula provides the traditional rate of return calculation the Commission uses to set just and reasonable rates. The result provides a total revenue requirement amount. That amount represents the incremental change in revenues over existing rates for the test year necessary to allow the utility the opportunity to earn the Commission's authorized return. That return is collected on the appropriate level of rate base investment. The revenue requirement calculation also allows for the recovery of the proper level of utility costs, including income taxes.

ORGANIZATION OF STAFF'S COST OF SERVICE REPORT

Q. How is the Cost of Service Report organized?

A. The Cost of Service Report is organized by each major revenue requirement category:

I. Background of the Lake Region Water & Sewer Company Rate Case Filings

II. Background of the Lake Region Water & Sewer Company

III. Executive Summary

IV. Lake Region Water & Sewer Company's Rate Case Filing

V. Rate of Return and Capital Structure

VI. Rate Base

VII. Income Statement - Revenues

VIII. Miscellaneous Revenues

IX. Income Statement- Expenses

X. Depreciation

1 XI. Current and Deferred Income Tax

2 XII. Allocations of Costs Between the Operating Companies and Operating
3 Systems

4 XIII. Service Quality

5 These categories have several subsections which identify in detail the specific elements
6 of the revenue requirement being supported by Staff regarding Lake Region's general rate
7 increase requests.

8 **OVERVIEW OF STAFF'S FILING, FINDINGS AND RECOMMENDATIONS**

9 Q. Please identify the findings of Staff's review of Lake Region's rate increase
10 requests.

11 A. Staff conducted a review of Lake Region's September 5, 2008 rate increase filings
12 and has identified the following areas in its findings and recommendations:

13 **Overall Revenue Requirement--**

14 Q. What are Staff's findings regarding any recommendation for changes to Lake
15 Region's rates?

16 A. Staff is recommending a revenue requirement increase for Shawnee Bend water
17 of \$49,503 and sewer of \$123,003 and Horseshoe Bend sewer of (\$55,814) based on mid-point
18 rate of return on equity of 8.5%, resulting in an over all rate of return of 5.58% and the
19 calculations made by the various Staff experts assigned to this case. Staff's initial revenue
20 requirement calculation is examining the changes in revenues, expenses and investment costs
21 through the known and measurable period of September 30, 2009 based on a test year of 2008.

22 Because of a significant plant addition, Staff is proposing a true-up in these rate cases.
23 While this plant addition is on the Horseshoe Bend sewer portion of Lake Region's operations,

1 Staff will review the two operating systems to see if changes in the revenue requirement
2 calculation are necessary.

3 The EMS used for the small water and sewer rate cases only has the capability for one
4 rate of return. This is a different model than what is used for the larger companies which has the
5 ability to reflect a range of rates of return. Staff calculated the effects of the mid, low and high
6 rates of return for this case and has identified those proposed revenue increases in its cost of
7 service report and in my direct testimony. However, the actual EMS filing only contains the
8 revenue requirement version using the mid-point rate of return. As changes are made to the
9 respective EMS runs, Staff will continue to run the effects these changes on each of the proposed
10 rates of return.

11 **Rate of Return--**

12 The rate of return used to calculate the revenue requirement in this case is based on a
13 capital structure sponsored by Shana Atkinson, of the Commission's Financial Analysis
14 Department. Ms. Atkinson determined that the rate of return on investment should be in a range
15 from 8.0% to 9.0% with a mid-point of 8.5% resulting in an overall rate of return on investment
16 of 5.5% to 5.66% with a mid-point of 5.58%. Ms. Atkinson examined the Company's capital
17 structure and cost of money and provided the Staff's proposed rate of return used to calculate the
18 revenue requirement in these cases.

19 **Rate Base--**

20 Plant in Service and Accumulated Depreciation Reserve are reflected in the rate base as
21 of September 30, 2009. All plant additions and retirements were included in the revenue
22 requirement calculation as of September 30, 2009. Staff will add plant additions and retirements

1 through the end of the true-up period, currently March 31, 2010. A plant construction project is
2 being completed which will be addressed in the true-up.

3 Material & Supplies and Prepayments were included as of the September 30, 2009.

4 Accumulated Deferred Income Taxes Reserves were included as an offset to rate base as
5 of September 30, 2009. Deferred tax reserves will be updated for the true-up.

6 **Income Statement--**

7 **Revenues--**

8 Staff annualized and normalized revenues through September 30, 2009 to reflect the
9 annual level of normalized revenues broken out for each of the three operating systems.
10 Revenues will be re-examined and trued-up through March 31, 2010 to reflect any additions or
11 decreases to customer levels.

12 **Expenses--**

13 Payroll, payroll related benefits, and payroll taxes were annualized through
14 September 30, 2009. Payroll will be updated in the true-up as of March 31, 2010.

15 Operations and maintenance costs, other than payroll costs, were increased or decreased
16 as necessary through September 30, 2009 levels. If no adjustments were deemed appropriate
17 than test year 2008 levels were used.

18 Rate Case Expense was included in the case for actual invoiced expenditures that were
19 reviewed by Staff during the audit through the most current and will continue to be reviewed to
20 the end of the case to develop an on-going level for these costs. Because these costs are unique
21 to the rate case process with major costs incurred to review Staff and other parties' direct filings,
22 participate in the prehearing conference, prepare responsive testimony and, if needed, going to

1 trial, Staff will examine additional costs as the process develops further to include those costs
2 that can be verified and supported as reasonable and justified.

3 Depreciation Expense was annualized based on depreciation rates developed by Staff
4 member David Williams of the Commission's Engineering and Management Services
5 Department-Depreciation and applied to the plant in service levels as adjusted amounts through
6 September 30, 2009, resulting in total annualized depreciation expense.

7 Staff calculated Income Taxes based on the results of the revenue requirement calculation
8 as of September 30, 2009. The income tax expense amount will be trued-up as of March 31,
9 2010. Deferred income tax reserve will also be trued-up as of March 31, 2010 from the level
10 reflected as of September 30, 2009.

11 **FOUR SEASONS RACQUET AND COUNTRY CLUB PROPERTY OWNER'S**
12 **ASSOCIATION**

13 Q. Has Lake Region discussed a billing dispute that it believes significantly affects
14 its operations?

15 A. Yes. The Company has had numerous discussions with Staff regarding a billing
16 dispute it has had with one of its largest commercial customers on the Horseshoe Bend sewer
17 system. The customer is the Racquet Club. This Customer is also an intervenor in these rate
18 cases.

19 Q. What is the billing dispute with the Racquet Club?

20 A. Lake Region has an on-going billing dispute with the Racquet Club starting in the
21 summer of 2009. The Company installed a different meter reading device to measure the usage
22 of the sewer product from the Racquet Club. This device is called a "flow meter" and is consider
23 more accurate considering the unique circumstances of this Customer's operations. The Racquet

1 Club owns and operates its sewer collection system and connects to Lake Region's sewer lines.
2 The flow meter equipment was installed in October 2008. Lake Region started billing the
3 Racquet Club using the flow meter on December 2008.

4 Initially, there was not a significant difference in the monthly billings between the usage
5 measured by the flow meter and the measurements recorded using the water usage based on the
6 traditional water meter. However, when there is significant rain fall, as occurred in the 2009
7 summer months, the flow meter measured the actual usage Lake Region had to process for the
8 Racquet Club. The monthly billings to the Customer were significantly higher in June, July and
9 August of 2009. The Racquet Club did not pay its monthly billing amounts to the Company for
10 those months. Lake Region notified the Racquet Club that it was delinquent in its monthly
11 payments for the three summer months in September 2009. The Customer responded that it
12 disputed the billings since they were based on the flow meter results. Lake Region and the
13 Customer reach an agreement to allow the Racquet Club to only pay the amount it would have if
14 the water meter results were used for billing purposes as long as the Customer agreed to get the
15 delinquent past amounts caught up by March 1, 2010.

16 Q. What is the impact on Lake Region's revenues using the flow meter?

17 A. The revenues relating to the billings of the Racquet Club has significantly
18 increased. The total revenues for the Racquet Club for the test year 2008 was over \$60,000
19 while the amount for the 12 months ending September 30, 2009 was over \$163,000. Most of this
20 increase occurred in the summer months of 2009 with the heavy rain fall.

21 Q. How has Staff treated these revenues in this case?

22 A. Staff has annualized the commodity revenues (usage sensitive) for the Racquet
23 Club by normalizing the results of the significant increase in usage by taking a three average of

1 the 12 month ending amounts for 2007, 2008 and 2009. The high amounts for the 2009 period
2 which reflects the significantly higher revenues resulting from the higher usage is averaged in
3 with the more normal usage of 2007 and 2008.

4 Staff included the 12 month ending amount of the Customer charge (monthly flat rate
5 charge) in total revenues.

6 Q. Does the need for reflecting the normalized revenues for the Racquet Club place
7 the Company at significant risk?

8 A. Yes. It is imperative that the Company bill its customers, in this case the Racquet
9 Club, for actual usage each customer is placing on the system. It is equally imperative that the
10 Company actually collect the revenues it bills customers, especially those that are the largest
11 customers. If the revenues are built into rates and the Company does not collect the money, then
12 the Company will very likely not earn its authorized rate of return.

13 Q. Is this billing dispute issue one of the reasons why the revenue requirement
14 calculation is showing a negative amount for Horseshoe Bend sewer system?

15 A. Yes. Even though Staff has normalized the usage to reflect a more normal level
16 of rain fall than occurred in the summer of 2009, the Racquet Club billings still shows a
17 significant increase in its prior revenues. The Company and this Customer must come to some
18 mutual understanding respecting the billing and the collection for sewer service received from
19 Lake Region. Staff is encouraging both parties to discuss these operational issues and come to a
20 resolution on fixing the problems that has caused this dispute. Staff is willing to work with both
21 Lake Region and the Customer to solve the differences that exist. Staff will monitor this issue to
22 see that a resolution is forthcoming.

1 **ALLOWANCE TO THE REVENUE REQUIREMENT**

2 Q. What is the allowance for known and measurable changes that appears on the
3 Staff Accounting Schedule 5 (Revenue Requirement)?

4 A. In the revenue requirement runs for Lake Region, Staff has made an allowance
5 based on a rough estimate designed to cover an expected or anticipated increase to the overall
6 revenue requirement being recommended in this case because of events expected to occur for the
7 true-up period. The allowance is commonly used when true-ups or additional updates are
8 authorized for the rate case. If higher costs are expected beyond the update period, in this case
9 September 30, 2009, then an allowance can approximate the impact on the case for those higher
10 costs. For purposes of this case, Commission has indicated that if a true-up is necessary then the
11 revenue requirement should be updated through the end of March 31, 2009. Staff believes a
12 true-up is necessary to capture any additional costs increase or decreases in the over all revenue
13 requirement calculation. Particularly, on the Horseshoe Bend sewer system where the Company
14 is in the process of completing a plant addition to its sewer system will cause an increase to the
15 revenue requirement.

16 Lake Region provided Staff additional information just prior to filing of these rate cases
17 regarding plant and contributions in aid of construction that needs further review with the
18 Company. Staff will make any necessary and appropriate changes to the revenue requirement
19 calculation after further discussions with Lake Region.

20 Staff will further examine other revenue requirement impacts such as revenues for
21 customer changes and payroll costs to reflect the most current information to base rates on these
22 rate cases.

23 Q. Does this conclude your direct testimony?

24 A. Yes, it does.


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF CARY G. FEATHERSTONE

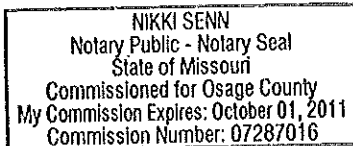
STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 30 pages to be presented in the above case; that the answers in the foregoing 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 13th day of January, 2010.


Notary Public



CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1980	Case No. ER-80-53	St. Joseph Light & Power Company (electric rate increase)	Direct	Stipulated
1980	Case No. OR-80-54	St. Joseph Light & Power Company (transit rate increase)	Direct	Stipulated
1980	Case No. HR-80-55	St. Joseph Light & Power Company (industrial steam rate increase)	Direct	Stipulated
1980	Case No. GR-80-173	The Gas Service Company (natural gas rate increase)	Direct	Stipulated
1980	Case No. GR-80-249 Coordinated	Rich Hill-Hume Gas Company (natural gas rate increase)	No Testimony filed- revenues & rate base	Stipulated
1980	Case No. TR-80-235	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress Rebuttal	Contested
1981	Case No. ER-81-42	Kansas City Power & Light Company (electric rate increase)	Direct-payroll & payroll related benefits; cash working capital Rebuttal	Contested
1981	Case No. TR-81-208	Southwestern Bell Telephone Company (telephone rate increase)	Direct-cash working capital; construction work in progress; income taxes-flow- through Rebuttal Surrebuttal	Contested
1981	Case No. TR-81-302	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress	Stipulated
1981	Case No. TO-82-3	Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct- construction work in progress	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1982	Case Nos. ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating rate increase)	Direct- fuel & purchased power; fuel inventories Rebuttal Surrebuttal	Contested
1982	Case No. TR-82-199	Southwestern Bell Telephone Company (telephone rate increase)	Direct- revenues & directory advertising	Contested
1983	Case No. EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	Case No. ER-83-49	Kansas City Power & Light Company (electric rate increase)	Direct- fuel & fuel inventories Rebuttal Surrebuttal	Contested
1983	Case No. TR-83-253	Southwestern Bell Telephone Company (telephone rate increase - ATT Divestiture Case)	Direct- revenues & directory advertising	Contested
1984	Case No. EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1985	Case Nos. ER-85-128 and EO-85-185 Coordinated	Kansas City Power & Light Company (electric rate increase- Wolf Creek Nuclear Generating Unit Case)	Direct- fuel inventories; coordinated construction audit	Contested
1987	Case No. HO-86-139 Coordinated	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility and rate increase)	Direct- policy testimony on abandonment of steam service Rebuttal Surrebuttal	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1988	Case No. TC-89-14 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Surrebuttal	Contested
1989	Case No. TR-89-182	GTE North, Incorporated (telephone rate increase)	Direct- directory advertising Rebuttal Surrebuttal	Contested
1990	Case No. GR-90-50 Coordinated	Kansas Power & Light - Gas Service Division (natural gas rate increase)	Direct- prudency review of natural gas explosions	Stipulated
1990	Case No. ER-90-101 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric rate increase- Sibley Generating Station Life Extension Case)	Direct- Corporate Costs and Merger & Acquisition Costs Surrebuttal	Contested
1990	Case No. GR-90-198 Coordinated	UtiliCorp United, Inc., Missouri Public Service Division (natural gas rate increase)	Direct- Corporate Costs and Merger & Acquisition Costs	Stipulated
1990	Case No. GR-90-152	Associated Natural Gas Company (natural gas rate increase)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1991	Case No. EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested
1991	Case Nos. EO-91-358 and EO-91-360 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal- plant construction cost deferral recovery; purchased power cost recovery deferral	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1991	Case No. GO-91-359 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (natural gas-- accounting authority order)	Memorandum Recommendation- Service Line Replacement Program cost recovery deferral	Stipulated
1993	Case Nos. TC-93-224 and TO-93-192 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Rebuttal Surrebuttal	Contested
1993	Case No. TR-93-181	United Telephone Company of Missouri (telephone rate increase)	Direct- directory advertising Surrebuttal	Contested
1993	Case No. GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated
1994	Case No. GM-94-252 Coordinated	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal- acquisition of assets case	Contested
1994	Case No. GA-94-325 Coordinated	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1995	Case No. GR-95-160 Coordinated	United Cities Gas Company (natural gas rate increase)	Direct- affiliated transactions; plant	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1995	Case No. ER-95-279 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel & purchased power; fuel inventories	Stipulated
1996	Case No. GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1996	Case No. EM-96-149 Coordinated	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1996	Case No. GR-96-285 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Direct- merger savings recovery; property taxes Rebuttal Surrebuttal	Contested
1996	Case No. ER-97-82	Empire District Electric Company (electric-- interim rate increase case)	Rebuttal- fuel & purchased power	Contested
1997	Case No. GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	Case No. GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	Case Nos. EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric rate complaint case)	Direct- - fuel & purchased power; fuel inventories Verified Statement	Contested Commission Denied Motion
1997	Case Nos. ER-97-394 and EC-98-126 Coordinated	UtiliCorp United Inc./Missouri Public Service (electric rate increase and rate complaint case)	Direct- fuel & purchased power; fuel inventories; re- organizational costs Rebuttal Surrebuttal	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1997	Case No. EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal- plant assets & purchased power agreements	Withdrawn
1998	Case No. GR-98-140 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Testimony in Support of Stipulation And Agreement	Contested
1999	Case No. EM-97-515 Coordinated	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated (Merger eventually terminated)
2000	Case No. EM-2000-292 Coordinated	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger closed)
2000	Case No. EM-2000-369 Coordinated	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger eventually terminated)
2001	Case No. ER-2001-299 Coordinated	Empire District Electric Company (electric rate increase)	Direct- income taxes; cost of removal; plant construction costs; fuel- interim energy charge Surrebuttal True-Up Direct	Contested

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2001	Case Nos. ER-2001-672 and EC-2002-265 Coordinated	UtiliCorp United Inc./Missouri Public Service Company (electric rate increase)	Verified Statement Direct- capacity purchased power agreement; plant recovery Rebuttal Surrebuttal	Stipulated
2002	Case No. ER-2002-424 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel-interim energy charge Surrebuttal	Stipulated
2003	Case Nos. ER-2004-0034 and HR-2004-0024 (Consolidated) Coordinated	Aquila, Inc., (formerly UtiliCorp United Inc) d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam rate increases)	Direct- acquisition adjustment; merger savings tracking Rebuttal Surrebuttal	Stipulated
2004	Case No. GR-2004-0072 Coordinated	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas rate increase)	Direct- acquisition adjustment; merger savings tracking Rebuttal	Stipulated
2005	Case No. HC-2005- 0331 Coordinated	Trigen Kansas City Energy [Jackson County Complaint relocation of plant for Sprint Arena] (steam complaint case)	Cross examination- relocation of plant assets	Contested
2005	Case No. EO-2005-0156 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS (electric- South Harper Generating Station asset valuation case)	Rebuttal- plant valuation Surrebuttal	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2005	Case No. ER-2005-0436 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct- interim energy charge; fuel; plant construction; capacity planning Rebuttal Surrebuttal	Stipulated
2005	Case No. HR-2005-0450 Coordinated	Aquila, Inc., d/b/a Aquila Networks- L&P (industrial steam rate increase)	Direct	Stipulated
2006	Case No. ER-2006-0314 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct-construction audits Rebuttal- allocations Surrebuttal- allocations	Contested
2006	Case No. WR-2006-0425 Coordinated	Algonquin Water Resources (water & sewer rate increases)	Rebuttal- unrecorded plant; contributions in aid of construction Surrebuttal unrecorded plant; contributions in aid of construction	Contested
2007	Case No. ER-2007-0004 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct-fuel clause, fuel, capacity planning Rebuttal Surrebuttal	Contested
2007	Case No. HO-2007-0419 Coordinated	Trigen Kansas City Energy [sale of coal purchase contract] (steam)	Recommendation Memorandum	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2007	Case Nos. HR-2007-0028, HR-2007-0399 and HR-2008-0340	Aquila, Inc., d/b/a Aquila Networks- L&P [Industrial Steam Fuel Clause Review] (industrial steam fuel clause review)		Pending
2008	Case No. HR-2008-0300 Coordinated	Trigen Kansas City Energy (steam rate increase)	Direct - sponsor Utility Services portion of the Cost of Service Report, overview of rate case, plant review and plant additions, fuel and income taxes	Stipulated
2009	Case No. ER-2009-089	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report, Additional Amortizations and Iatan 1 construction Rebuttal- allocations Surrebuttal- allocations	Stipulated
2009	Case No. ER-2009-090	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal- capacity planning	Stipulated
2009	Case No. HR-2009-092	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (industrial steam rate increase)	Direct- sponsor Utility Services Cost of Service Report	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

CASES SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1986	Case No. TR-86-14 Coordinated	ALLTEL Missouri, Inc. (telephone rate increase)		Stipulated
1986	Case No. TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated
1986	Case No. TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated
1986	Case No. TR-86-63 Coordinated	Webster County Telephone Company (telephone rate increase)		Stipulated
1986	Case No. GR-86-76 Coordinated	KPL-Gas Service Company (natural gas rate increase)		Withdrawn
1986	Case No. TR-86-117 Coordinated	United Telephone Company of Missouri (telephone rate increase)	Withdrawn prior to filing	Withdrawn
1988	Case No. GR-88-115 Coordinated	St. Joseph Light & Power Company (natural gas rate increase)	Deposition	Stipulated
1988	Case No. HR-88-116	St. Joseph Light & Power Company (industrial steam rate increase)	Deposition	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1994	Case No. ER-94-194	Empire District Electric Company (electric rate increase)		
2003	QW-2003-016 QS-2003-015	Tandy County (water & sewer informal rate increase)	Recommendation Memorandum	Stipulated
2004	Case No. HM-2004-0618 Coordinated	Trigen- Kansas City Energy purchase by Thermal North America (steam - sale of assets)		Stipulated
2005	Case No. GM-2005-0136 Coordinated	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP (natural gas -- sale of assets)	Recommendation Memorandum	Stipulated
2005	Case No. WO-2005-0206 Coordinated	Silverleaf sale to Algonquin (water & sewer- sale of assets)		Stipulated
2006	Case No. WR-2006-0250	Hickory Hills (water & sewer- informal rate increase)	Recommendation Memorandum	Contested
2006	Case No. HA-2006-0294 Coordinated	Trigen Kansas City Energy (steam- expansion of service area)		Contested
2007	SR-2008-0080 QS-2007-0008	Timber Creek (sewer- informal rate increase)	Recommendation Memo	Stipulated

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
2008	QW-2008-0003	Spokane Highlands Water Company (water- informal rate increase)	Recommendation Memorandum	Stipulated
2009	WR-2010-0139 SR-2010-0140	Valley Woods Water Company	Recommendation Memorandum	Pending