

APPENDIX 3

Lake Region Water and Sewer Company

Feasibility Study

This feasibility study addresses providing sewer service by Lake Region Water and Sewer Company (LRWSC) in an area the Company proposes to annex. A map is attached that generally pictures the newly proposed service area. A metes and bounds description of this area is filed with the Company's annexation application.

The area the Company proposes to serve is located at the Lake of the Ozarks in Camden County on what is commonly referred to as Horseshoe bend. The property lays North of Horseshoe Bend Parkway between existing LRWSC certificated areas. The area to be annexed includes a portion of the project which was the subject of the true up proceedings in LRWSC's recent rate case SR-2010-0110. The line which connects the lift station to the treatment plant runs through the middle of a new subdivision which is located within the territory to be annexed.

Financing. LRWSC will need no financing in relation to this annexation as the project serving the area is already built and included in LRWSC's rate base. LRWSC will connect customers in accordance with Rule 12 of the Company's approved tariff.

Proposed Rates and Charges. LRWSC intends to keep the same service and connection fees in place that it now has for the newly annexed area.

Approval by the PSC of the proposed expansion will not result in the need for a general rate increase as shown on attached Exhibit C. The investment per customer for the annexed area will be zero as the facilities to serve this area are already in place.

Estimates of Customers, Revenues, and Expenses. It is projected that company-wide, LRWSC will add 15 water customers and 17 sewer customers in 2011, 15 water and 17 sewer customers in 2012 and 15 water and 17 sewer customers in 2013. Approximately ninety percent of these customers will be located in the existing LRWSC certificated area and the remaining ten percent, all of which will be sewer customers, will be from the new service area. An estimate of the revenues generated from these customers and the cost of providing service is shown on the attached pro forma income statement. A pro forma Exhibit A shows the projected income statement for three years with the area to be certificated added. Exhibit B shows the projected balance sheet for the same period. Exhibit C shows the Company's revenue requirement as a result of the area expansion.

Utility Service Available in the Area Requested. There is currently no sewer service available in the area from either regulated or non-regulated entities. Water service is provided in the area by Ozark Shores Water Company or Camden County Public Water District No. 4.

Lake Region Water and Sewer Company
Exhibits A and B Assumptions
Certificate of Convenience and Necessity Application

HB Sewer Revenue Per Customer	29.39
Investment Per Water	610
Investment Per SB Sewer	280
Investment Per HB Sewer	150
Inflation Factor	3%
Interest on Debt	8%
Rate of Return	10%

Lake Region Water and Sewer Company
Pro Forma Income Statement
Certificate of Convenience and Necessity Application
EXHIBIT A

	Base Year	Pro Forma W/O Expansion			Pro Forma Expansion			Pro Forma Total		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
Revenue:										
Residential & Commercial	869,311	869,311	880,471	891,631	-	705	1,411	869,311	881,176	893,042
New Res & Comm	-	11,160	11,160	11,160	-	-	-	11,160	11,160	11,160
Expansion Res & Comm	-	-	-	-	705	705	705	705	705	705
Other Income	-	-	-	-	-	-	-	-	-	-
Total Revenue	869,311	880,471	891,631	902,791	705	1,411	2,116	881,176	893,042	904,907
Expenses:										
Labor	203,537	209,643	215,932	222,410	-	-	-	209,643	215,932	222,410
Power	49,589	50,226	50,862	51,499	40	80	121	50,266	50,943	51,620
Repairs	18,787	19,028	19,269	19,511	15	30	46	19,043	19,300	19,556
Operating costs	193,615	196,101	198,586	201,072	157	314	471	196,258	198,900	201,543
PSC Assessments	56,740	57,468	58,197	58,925	46	92	138	57,514	58,289	59,063
Depreciation & Amortization	160,313	160,313	160,313	160,313	-	-	-	160,313	160,313	160,313
Interest	3,234	3,234	3,234	3,234	-	-	-	3,234	3,234	3,234
Total Operating exp	685,815	696,013	706,394	716,964	259	517	776	696,272	706,912	717,740
Net Operating Income	183,496	184,458	185,237	185,827	447	893	1,340	184,904	186,130	187,167

Lake Region Water and Sewer Company
Pro Forma Balance Sheet
Certificate of Convenience and Necessity Application
EXHIBIT B

	Base Year	Pro Forma W/O Expansion			Pro Forma Expansion			Pro Forma Total		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
Current Assets:										
Cash	13,344	358,115	703,664	1,049,804	447	1,340	2,680	358,561	705,005	1,052,485
Accounts Receivable	238,676	238,676	238,676	238,676	-	-	-	238,676	238,676	238,676
Other Current Assets	43,011	43,011	43,011	43,011	-	-	-	43,011	43,011	43,011
Total Current Assets	295,031	639,802	985,351	1,331,491	447	1,340	2,680	640,248	986,692	1,334,172
Fixed Assets										
Future Use	7,915	7,915	7,915	7,915	-	-	-	7,915	7,915	7,915
CWIP	264,725	264,725	264,725	264,725	-	-	-	264,725	264,725	264,725
Plant in Service	9,976,022	9,976,022	9,976,022	9,976,022	-	-	-	9,976,022	9,976,022	9,976,022
Accum. Depreciation	(2,593,707)	(2,754,020)	(2,914,333)	(3,074,646)	-	-	-	(2,754,020)	(2,914,333)	(3,074,646)
Total Fixed Assets	7,654,955	7,494,642	7,334,329	7,174,016	-	-	-	7,494,642	7,334,329	7,174,016
Other Assets	1,127	1,127	1,127	1,127	-	-	-	1,127	1,127	1,127
Total Assets	7,951,112	8,135,570	8,320,807	8,506,634	447	1,340	2,680	8,136,017	8,322,147	8,509,314
Current Liabilities:										
Accounts Payable	536,329	536,329	536,329	536,329	-	-	-	536,329	536,329	536,329
Other Current Liabilities	1,298	1,298	1,298	1,298	-	-	-	1,298	1,298	1,298
Total Current Liabilities	537,627	537,627	537,627	537,627	-	-	-	537,627	537,627	537,627
Other Long Term Liabilities:										
Advances In Aid Const.	412,875	412,875	412,875	412,875	-	-	-	412,875	412,875	412,875
Cont. In Aid Const.	6,433,886	6,433,886	6,433,886	6,433,886	-	-	-	6,433,886	6,433,886	6,433,886
Accum Amort CIAC	(941,261)	(941,261)	(941,261)	(941,261)	-	-	-	(941,261)	(941,261)	(941,261)
Accum Def Inc Taxes	(77,383)	(77,383)	(77,383)	(77,383)	-	-	-	(77,383)	(77,383)	(77,383)
Long Term Debt	32,344	32,344	32,344	32,344	-	-	-	32,344	32,344	32,344
Total Long Term Liabilities	5,860,461	5,860,461	5,860,461	5,860,461	-	-	-	5,860,461	5,860,461	5,860,461
Shareholders Equity	1,553,024	1,737,481	1,922,718	2,108,545	447	1,340	2,680	1,737,928	1,924,058	2,111,225
Total Liabilities & Equity	7,951,112	8,135,570	8,320,807	8,506,634	447	1,340	2,680	8,136,017	8,322,147	8,509,314

Lake Region Water and Sewer Company
Rate Impact of Territory Expansion
Certificate of Convenience and Necessity Application
EXHIBIT C

	Base Year	Pro Forma with Expansion		
		2011	2012	2013
Rate Base	2,154,414	2,002,016	1,841,703	1,681,390
Revenue	869,311	881,176	893,042	904,907
Net Operating Income	183,496	184,904	186,130	187,167
NOI Required	215,441	200,202	184,170	168,139
Revenue Shortfall	31,946	15,297	(1,960)	(19,028)
Percent Increase		-2%		