

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

In the Matter of Lake Region Water and Sewer       )  
Company's Application to Implement a General       )       Case No. SR-2013-0459  
Increase in Water and Sewer Service                )

In the Matter of Lake Region Water and Sewer       )  
Company's Application to Implement a General       )       Case No. WR-2013-0461  
Increase in Water and Sewer Service                )

**LAKE REGION WATER & SEWER COMPANY'S  
STATEMENT OF POSITION ON THE ISSUES**

**COMES NOW** Lake Region Water & Sewer Company (Lake Region) and states its positions on the issues in the Joint List of Issues filed February 7, 2014 as follows:

**1.     Availability Fees**

a.     Should availability fees collected from owners of undeveloped lots in Lake Region's service territory be classified as Lake Region revenue or applied against rate base?

**Position:** Lake Region reasserts its objections to the inclusion of this issue on grounds that it is beyond the jurisdiction of the Commission and therefore is irrelevant and immaterial. Furthermore, by Commission order in Case Nos. SR-2010-0110 and WR-2010-0111, a definitive and duly promulgated rule on the treatment of availability fees is a prerequisite to Commission consideration of the issue. No such rule has been promulgated or adopted. Lake Region additionally asserts and incorporates by reference herein the grounds for objection set forth in its *Motion to Strike Portions of the Written Testimony of Staff Witness Kim Bolin and Sections of Staff's Revenue Requirement and Cost of Service Report; Motion to Strike Portions of the Written Testimony of Ted Robertson, Witness for the Office of Public Counsel and Motion in Limine* each of which were filed with the Commission on November 22, 2013. Reserving these objections,

it is Lake Region's position that availability fees should *not* be classified as Lake Region revenue and should *not* be applied against rate base.

## **2. Capital Structure**

- a. Should the capital structure for Lake Region be based on its actual capital structure or a hypothetical capital structure?
- b. If the capital structure for Lake Region should be based on its actual capital structure, what is Lake Region's actual capital structure?

**Position:** Lake Region's capital structure should be based on its actual capital structure. The Company's actual debt balance which is derived from the loan approved by the Commission in File No. WF-2013-0118 should be utilized to compute the Company's actual capital structure. The Company's intent when it applied to the Commission in File No. WF-2013-0118 was to create an actual capital structure of approximately 60% debt and 40% equity to support the Company's rate base investment. The Company's *actual* capital structure is 54.7% debt and 55.3% equity.

- c. If the capital structure for Lake Region should be based on a hypothetical capital structure, what is a balanced and reasonable capital structure for Lake Region?

**Postion:** The balanced and reasonable capital structure for Lake Region is 60% debt and 40% equity. This capital structure serves legitimate regulatory concerns regarding: 1) the Company's ability to refinance near-term debt maturities; and 2) setting the overall rate of return using a capital structure that will help support the financial integrity of Lake Region and its ability to fund capital improvements that are necessary to meet the quality of service

objectives desired by the Company. Also, this capital structure mix is reasonable in light of the Company's intention to use a verifiable capital structure.

**3. Return on Equity**

- a. What is the appropriate return on equity for Lake Region?

**Position:** The appropriate return on equity for Lake Region is 13.89%. Staff has recommended this percentage in its direct case.

**4. Depreciation Reserve/Depreciation Expense Relating to the Shawnee Bend Lagoon Retirement.**

- a. Should depreciation expense included in current rates and accumulated in depreciation reserve, relating to the retirement of land for the Shawnee Bend lagoon, be removed from depreciation reserve balances?

**Position:** This issue has settled.

**5. Depreciation Reserve/Depreciation Expense for Omitted Plant in Prior Case**

- a. For plant additions and retirements that were unintentionally omitted in a prior case, what is the appropriate date on which depreciation expense calculation should commence?
- b. For plant additions and retirements that were unintentionally omitted in a prior case, what is the appropriate depreciation reserve balance as of the end of the test year?

**Position:** This issue has settled.

**6. Consulting Fee**

- a. Should the consulting fee paid to Lake Region's General Manager, John Summers, be included in the calculation of rates for Lake Region?

**Position:** Yes.

**7. Legal Fees**

- a. Should the legal fees incurred during the test year for *Shawnee Bend Development Company, LLC v. Lake Region Water & Sewer* be included in the calculation of rates for Lake Region?
- b. If so, what is the appropriate mechanism for recovery of these costs?

**Position:** Yes. They should be recovered through a five-year amortization with a tracker mechanism as suggested by Staff Witness Keith D. Foster in his prefiled surrebuttal testimony.

**8. Sludge Hauling**

- a. What is the appropriate amount of sludge hauling expense to include in the calculation of rates for Lake Region?

**Position:** This issue has settled.

**9. Rental Equipment**

- a. What is the appropriate level of rental expense to include for the equipment Lake Region currently rents from Camden County Public Water Supply District 4?

**Position:** The appropriate level of rental expense is the actual contracted lease amounts for the equipment rented from Public Water Supply District Number 4. A theoretical cost of ownership calculation should be rejected. The proper approach is to use the actual amount negotiated between the parties for rent of the equipment.

Respectfully submitted,

/s/ Mark W. Comley

Mark W. Comley Mo. Bar 28847  
Newman, Comley & Ruth P.C.  
601 Monroe Street, Suite 301  
P.O. Box 537  
Jefferson City, MO 65102-0537  
(573) 634-2266 (voice)  
(573) 636-3306 (facsimile)  
[comleym@ncrpc.com](mailto:comleym@ncrpc.com)

Attorneys for Lake Region Water & Sewer Co.

### **CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the above and foregoing document was sent via email, on this 10<sup>th</sup> day of February, 2014, to Amy Moore at [Amy.Moore@psc.mo.gov](mailto:Amy.Moore@psc.mo.gov) ; General Counsel's Office at [staffcounsel@psc.mo.gov](mailto:staffcounsel@psc.mo.gov); Christina Baker at [christina.baker@ded.mo.gov](mailto:christina.baker@ded.mo.gov), and Office of Public Counsel at [opc@ded.mo.gov](mailto:opc@ded.mo.gov).

/s/ Mark W. Comley