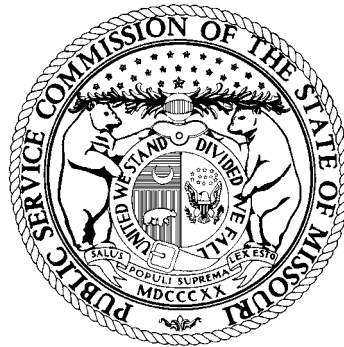


MISSOURI PUBLIC SERVICE COMMISSION

LAKE REGION WATER & SEWER COMPANY'S AND STAFF'S JULY 16, 2010 RESPONSE TO MISSOURI PUBLIC SERVICE COMMISSION'S JUNE 24, 2010 ORDER REGARDING AVAILABILITY CHARGES SCENARIOS



LAKE REGION WATER & SEWER COMPANY

CASE NO. SR-2010-0110

**Horseshoe Bend Sewer
Shawnee Bend Sewer**

&

CASE NO. WR-2010-0111

Shawnee Bend Water

*Jefferson City, Missouri
July 16, 2010*

**LAKE REGION WATER & SEWER COMPANY'S AND STAFF'S JULY 16, 2010
RESPONSE TO THE COMMISSION'S JUNE 24, 2010 ORDER REGARDING
AVAILABILITY CHARGES SCENARIOS**

1. The Missouri Public Service Commission (Commission) issued an Order on June 24, 2010 (the June 24th Order) requiring Lake Region Water & Sewer Company (Lake Region) and Staff of the Missouri Public Service Commission (Staff) to file scenarios relating to Availability Charges (Fees) by July 16, 2010.

2. On June 23, 2010 Staff re-filed the June 21st Report entitled *JUNE 23, 2010 REFILING OF STAFF'S JUNE 21, 2010 RESPONSE TO MISSOURI PUBLIC SERVICE COMMISSION'S JUNE 16, 2010 ORDER REGARDING CLARIFICATION TO PLANT ADDITIONS* (the June 23rd Report). In the June 23rd Report, Staff identified rate base of the three Lake Region operating systems as ordered by the Commission's June 16th Order. Under Section III. "Comparison of Plant in Service, Rate Base and Revenue Requirement at Time of April 16, 2010 True-Up Hearings and May 18, 2010 Correction" Staff identified at page 5 of the June 23rd Report the Rate Base amounts specifically referenced in the Commission's June 24th Order.

3. The June 24th Order identified the scenarios ordered by the Commission for availability fees and related contributions in aid of constructions (CIAC). The Commission set the parameters for the scenario as follows:

1. Rate Base -- as delineated in Staff's June 23, 2010 "Late-Filed Exhibit" on page 5, updated and corrected on May 18, 2010; i.e. Shawnee Bend Water - \$874,282; Shawnee Bend Sewer -- \$1,486,680; Horseshoe Bend Sewer - \$584,138.
2. Capital Structure -- the original capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010.

3. Imputed (or additions to) Revenue from Availability Fees = \$330,655, split in a 60/40 ratio between Shawnee Bend Sewer and Shawnee Bend Water, respectively.
4. Rate Base offset \$2,990,981 (addition to rate base).
5. Non-Availability Fee related CIAC still included.

The scenario must include two sets of numbers, one set with the rate base offset and one without the rate base offset.

4. The basis for the scenarios presented in this filing is the revenue requirement contained in the May 18th Report. The May 18th revenue requirements for Lake Region's three operating systems are:

Lake Region's <u>Operating System</u>	Staff True-up April 16, 2010 -- No Availability Fees and CIAC offset to <u>Rate Base</u> Corrected -- May 18, 2010
Shawnee Bend Water	\$22,252
Shawnee Bend Sewer	112,327
Horseshoe Bend Sewer	44,552
Total	\$179,131

5. Staff has made a revision to the May 18th revenue requirement based on its position on rate case expense presented to the Commission in a report file July 9, 2010 (the July 9th Report). The May 18th revenue requirement amounts contained in the May 18th Report form the basis for the updated rate case expense amounts identified in the July 9th Report.

The table shows a comparison of these true-up revenue requirements prior to any changes for the revenue requirement scenario ordered by the Commission's June 24th Order:

Lake Region's <u>Operating System</u>	Staff True-up April 16, 2010 -- No Availability Fees and CIAC offset to <u>Rate Base</u> Corrected -- May 18, 2010	Staff True-up April 16, 2010 -- No Availability Fees and CIAC offset to <u>Rate Base</u> Corrected -- May 18, 2010 updated July 16, 2010
Shawnee Bend Water	\$22,252	\$22,671
Shawnee Bend Sewer	112,327	112,746
Horseshoe Bend Sewer	44,552	44,971
Total	\$179,131	\$180,388

6. The Commission's June 24th Order identified Rate Base for the three Lake Region operating systems as follows:

Shawnee Bend Water	\$874,282
Shawnee Bend Sewer	\$1,486,680
Horseshoe Bend Sewer	\$584,138

The starting point for the revenue requirements for the scenarios identified above as corrected May 18, 2010 updated July 16, 2010 each contained the above rate base amounts.

7. The Commission's June 24th Order identified the use of the original capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010. The starting point for the revenue requirements for the scenarios identified above as corrected May 18, 2010 updated July 16, 2010 each contained the original capital structure.

8. The Commission's June 24th Order identified the first scenario, referred to in this report as Scenario 1, used the following assumptions:

- Imputed (or additions to) Revenue from Availability Fees of \$330,655, split in a 60/40 ratio as follows:

Shawnee Bend Water	\$132,262	40%
Shawnee Bend Sewer	<u>198,393</u>	<u>60%</u>
Total	\$330,655	100%

- No availability fee related CIAC taken as rate base offset
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802

9. The Commission's June 24th Order identified the second scenario, referred to in this report as Scenario 2, used the following assumptions:

- Imputed (or additions to) Revenue from Availability Fees of \$330,655, split in a 60/40 ratio as follows:

Shawnee Bend Water	\$132,262	40%
Shawnee Bend Sewer	<u>198,393</u>	<u>60%</u>
Total	\$330,655	100%

- Rate Base offset \$2,990,981 (addition to rate base)
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802

10. The total amount of offset to rate base for CIAC for Scenario 2 is \$3,948,783 (\$2,990,981 + \$957,802). The \$2,990,981 is based on the amount identified in the Commission's June 24th Order for contributed plant donated to Lake Region by the developer regarding lots

paying availability fees. The non-availability fee CIAC amount of \$957,802 is related to the amount determined by Lake Region as contributed plant that is not associated with the availability fees. The non-availability fees related CIAC were collected by Lake Region from water and sewer utility customers as service connection fees when those customers actually connect to the water and sewer systems.

11. The results of the two scenarios can be summarized and compared to the true-up direct revenue requirement filed on July 16, 2010, updated for the July 9th Report for rate case expense as follows:

Utility System	Staff True-up April 16, 2010 -- <u>No</u> Availability Fees and CIAC Offset to Rate Base (Total CIAC taken as offset to rate base) Corrected May 18, 2010-- updated July 16th	Scenario 1-- Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and <u>only</u> non-availability fees CIAC offset to Rate Base Commission's June 24th Order -- Item 5	Scenario 2-- Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and \$2.9 million CIAC related availability fees as offset to Rate Base Commission's June 24th Order - - Item 4
Shawnee Bend Water	\$22,671	\$53,671	(\$18,172)
Shawnee Bend Sewer	112,746	57,775	(9,306)
Horseshoe Bend Sewer	44,971	117,452	83,552
TOTAL	\$180,388	\$228,898	\$56,074

12. Staff has provided the actual revenue requirement models forming the basis of the updated May 18th corrected and both Scenarios 1 and 2 to Lake Region and the Office of Public Counsel (Public Counsel) for their review. These models can also be provided to the Commission if so desired.

CONCLUSION

13. Lake Region and Staff have performed the Commission's June 24th ordered scenarios and provides this Report on the results to the Commission filed July 16, 2010.

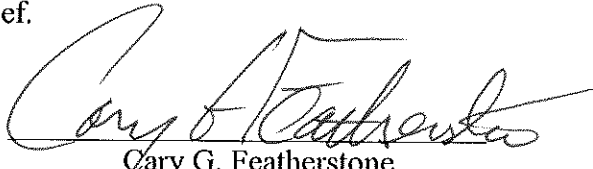
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Lake Region Water & Sewer)
Company's Application to Implement a) SR-2010-0110
General Rate Increase in Water and Sewer) Case No. AND
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 reviewed and analyzed the Revenue Requirement Scenario regarding Lake Region Water and Sewer Company (formerly known as Four Seasons Lakesites Water and Sewer Company) filed with Missouri Public Service Commission. The information in the Staff Response was developed by him; that he has knowledge of the matters set forth in such Staff Response; 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 16th day of July, 2010.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071


Notary Public