

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

In the Matter of the Application of Timber)
Creek Sewer Company Request for a Rate) File No. SR-2010-0320
Increase)

STAFF'S LATE-FILED EXHIBIT

COMES NOW, the Staff of the Missouri Public Service Commission (Staff), by and through counsel, and for its Late-Filed Exhibit, states the following:

1. On January 5, 2011, the Missouri Public Service Commission (Commission) issued an *Order* from the bench during the evidentiary hearing, requesting Staff's expert witness Shana Atkinson file an explanation of how the embedded cost of capital was determined. (See Attachment A).

WHEREFORE, Staff requests that the Commission accept this Late-Filed Exhibit.

Respectfully submitted,

/s/ Jaime N. Ott _____
Jaime N. Ott
Associate Counsel
Missouri Bar No. 60949

Attorney for the Staff of the
Missouri Public Service Commission
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all counsel of record this 13th day of January, 2011.

/s/ Jaime N. Ott _____

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. SR-2010-0320 - Timber Creek Sewer Company

FROM: Shana Atkinson
Financial Analysis Department

<u>/s/ Shana Atkinson</u>	<u>01/13/2011</u>
Auditing Department	Date

<u>/s/ Jaime Ott</u>	<u>01/13/2011</u>
General Counsel's Office	Date

SUBJECT: Timber Creek Cost of Capital Explanation

DATE: January 13, 2011

Staff's recommended weighted average cost of capital ("WACC") for Timber Creek Sewer Company ("Timber Creek" or "Company") is 7.67%. (See Attachment 1) The WACC is calculated by multiplying each component ratio of the appropriate capital structure by its cost and then summing the results. The only two types of capital included in Staff's recommended WACC were common equity and long-term debt. Based on Staff's calculations' Timber Creek's embedded cost of debt was 6.53% as of the test year. (See Attachment 2) Staff estimated the Company's cost of equity to be 11.07% based on the assumption that Timber Creek's capital structure consisted of 25% equity and 75% debt.

BEFORE THE PUBLIC SERVICE COMMISSION

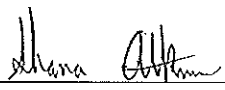
OF THE STATE OF MISSOURI

In the Matter of the Application of Timber)
Creek Sewer Company Request for a Rate)
Increase.)
Case No. SR-2010-0320

AFFIDAVIT OF SHANA ATKINSON


STATE OF MISSOURI)
)
COUNTY OF COLE)
)
 ss.

Shana Atkinson, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.

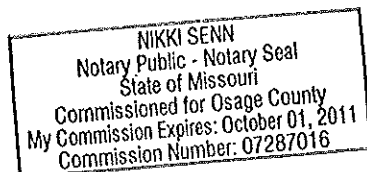


Shana Atkinson

Subscribed and sworn to before me this 13th day of January, 2011.



Notary Public



WEIGHTED COST OF CAPITAL

Capital Component	Capital Dollars	Percentage of Capital	Cost	Weighted Cost
Common Equity	\$46,723.50	25.00%	11.07%	2.77%
Preferred Stock	\$0.00	0.00%	0.00%	0.00%
Long-Term Debt	\$140,170.50	75.00%	6.53%	4.90%
Short-Term Debt	<u>\$0.00</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
Total	<u>\$ 186,894.00</u>	<u>100.00%</u>		<u>7.67%</u>

Timber Creek Sewer Company
Case No. SR-2010-0320

WEIGHTED COST OF LONG-TERM DEBT

Description	Balance	Cost	Percent	Weighted Cost
CLT, Inc.	\$245,585.00	6.50%	30.42%	1.98%
Willis Sherry	\$274,949.00	6.50%	34.05%	2.21%
Norma Sherry	\$274,949.00	6.50%	34.05%	2.21%
Derek Sherry	\$11,926.76	8.50%	1.48%	0.13%
TOTAL DEBT	\$807,409.76		100.00%	6.53%

Source: Timber Creek Sewer Company, Inc. 2009 Annual Report