Exhibit No.:	_____
Issue(s):	Availability Fees
Witness/Type of Exhibit:	Robertson/Direct
Sponsoring Party:	Public Counsel
Case No.:	WR-2013-0461

DIRECT TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

LAKE REGION WATER & SEWER COMPANY

CASE NO. WR-2013-0461

November 15, 2013

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Ted Robertson, C.P.A.
Chief Public Utility Accountant

Subscribed and sworn to me this 15th day of November 2013.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2017
Cole County
Commission #13754037

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2017.

DIRECT TESTIMONY

OF

TED ROBERTSON

LAKE REGION WATER AND SEWER COMPANY

CASE NO. WR-2013-0461

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ted Robertson, PO Box 2230, Jefferson City, Missouri 65102-2230.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by the Missouri Office of the Public Counsel ("OPC" or "Public Counsel") as the Chief Public Utility Accountant.

Q. WHAT IS THE NATURE OF YOUR CURRENT DUTIES AT THE OPC?

A. My duties include all activities associated with the supervision and operation of the regulatory accounting section of the OPC. I am also responsible for performing audits and examinations of the books and records of public utilities operating within the state of Missouri.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I graduated in May, 1988, from Southwest Missouri State University in Springfield, Missouri, with a Bachelor of Science Degree in Accounting. In November of 1988, I passed

the Uniform Certified Public Accountant Examination, and I obtained Certified Public Accountant (CPA) certification from the state of Missouri in 1989. My CPA license number is 2004012798.

Q. HAVE YOU RECEIVED SPECIALIZED TRAINING RELATED TO PUBLIC UTILITY ACCOUNTING?

A. Yes. In addition to being employed by the Missouri Office of the Public Counsel since July 1990, I have attended the NARUC Annual Regulatory Studies Program at Michigan State University, and I have also participated in numerous training seminars relating to this specific area of accounting study.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION" OR "MPSC")?

A. Yes, I have testified on numerous issues before this Commission. Please refer to Schedule TJR-1, attached to this testimony, for a listing of cases in which I have submitted testimony.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my direct testimony is to address the Public Counsel's position regarding availability fees being collected by the owners of the Lake Region Water and Sewer Company ("Lake Region" or "Company").

II. AVAILABILITY FEES

Q. WHAT IS THE ISSUE?

A. The issue concerns availability fees collected from owners of undeveloped lots within the Company's Horseshoe Bend Sewer and Shawnee Bend Water and Sewer franchise. The fees have been paid to the current shareholders of Company, and previously to prior owners/developers of the Company; however, they have not been part of the authorized tariffs and have not been recognized for regulatory ratemaking purposes.

Q. ARE AVAILABILITY FEES CURRENTLY BEING ASSESSED TO OWNERS OF UNDEVELOPED LOTS WITHIN THE HORSESHOE BEND SEWER FRANCHISE?

A. It is my understanding that availability fees were in-force in prior years, but there are no sewer availability fees assessed within the Company's franchise for the Horseshoe Bend sewer operation at this time.

Q. ARE AVAILABILITY FEES CURRENTLY BEING ASSESSED TO OWNERS OF UNDEVELOPED LOTS WITHIN THE SHAWNEE BEND WATER AND SEWER FRANCHISE?

A. Yes.

Q. WHAT ARE AVAILABILITY FEES?

A. My research indicates that availability fees are usually utilized by various governmental entities such municipalities, counties, water or sewer districts, and occasionally regulated utilities, to recover certain costs associated with utility operations. These fees are

charged on vacant land lots not currently tapped to the utility systems. By charging for availability of service, payment for indebtedness incurred for capital expenses such as infrastructure is more equally distributed among all property owners. That is, the fees are a means of making up the difference between developed versus undeveloped land or the availability fees are calculated to recover a portion of the capital costs of providing system facility capacity.

Q. IS THE ABOVE DEFINITION OF AVAILABILITY FEES PRECISE?

A. No. Depending on the entity, the specific purpose of the fees may be described as to pay for infrastructure directly or as a connection charge to hookup to the infrastructure or in some instances as an operating cost associated with collecting the fixed costs of the system's actual operation.

Q. DIDN'T THE COMMISSION ADDRESS THIS ISSUE IN COMPANY'S LAST GENERAL INCREASE RATE CASE?

A. Yes. In Lake Region Water & Sewer Company, Case Nos. SR-2010-0110 and WR-2010-0111, the Commission decided that the purpose for the collection of availability fees was to pay for the construction of the utility systems. On page 53, of the Report and Order, the Commission stated:

> 161. The collection of availability fees, by the terms and timing of the original agreements, began prior to construction or completion of the water and sewer systems and were collected to make construction of the systems feasible.
>
> 162. The purpose for establishing the availability fees was to recover the

> investment in the water and sewer systems, not to maintain or repair the existing operations of the systems once they were constructed.

Q. DID THE COMMISSION ALSO DETERMINE, IN THE PREVIOUS RATE CASE, THAT IT HAD JURISDICTION OVER AVAILABILITY FEES?

A. Yes. On page 103, of the Report and Order, the Commission stated:

> Because the utility had, at different intervals, direct use of or access to this revenue stream, and because the fees can be defined as a commodity falling under the definition of utility service, the Commission concludes that it should assert jurisdiction over availability fees.

Q. IN COMPANY'S LAST RATE CASE THE COMMISSION CHOSE NOT TO INCLUDE THE AVAILABILITY FEES IN REVENUES IN THE DEVELOPMENT OF RATES, IS THAT CORRECT?

A. Yes. On page 107, of the Report and Order, the Commission stated:

> After considering all of the possible revenue scenarios, the relevant law, and the Commission's prior policy and practice on ratemaking treatment of availability fees, the Commission determines that the substantial and competent evidence in the record as a whole supports the conclusion that it would be unjust and unreasonable to impute additional revenue to Lake Region derived from the availability fees already collected.

Q. DOES PUBLIC COUNSEL AGREE WITH THE COMMISSION'S DECISION IN THE PREVIOUS RATE CASE?

A. Public Counsel agrees with the Commission's decision that the purpose of the availability fees was to pay for the construction of the utility systems and that the Commission has

jurisdiction over the fees and that the fees are not necessarily revenues. However, Public Counsel believes that the Commission did not address Public Counsel's primary concern that collection of the funds represent contributions in aid of construction ("CIAC") and that all such contributions have not been properly identified and included in the utility's cost of service.

Q. WHAT ARE CONTRIBUTIONS IN AID OF CONSTRUCTION?

A. Contributions in aid of construction represent donations and/or contributions of cash, services or property from anyone to the utility for purposes of construction. The value of the cash, services or property is recorded in the respective plant account and an offsetting amount is recorded in a liability account which is utilized to reduce rate base when the cost of service for the utility is determined.

Q. ARE CONTRIBUTIONS IN AID OF CONSTRUCTION TREATED AS REVENUE FOR RATEMAKING PURPOSES?

A. No. The plant construction is recorded in a plant account and the contribution is recorded in a liability account. In cases where cash is provided, any expenses incurred for construction purposes would effectively offset the cash received leaving only the plant and liability account balances. For example, if Company received a $100 contribution prior to the construction of the plant, the initial accounting entry would be to Debit Cash $100 and Credit CIAC Liability $100; then, the construction of the plant would be Debit Plant $100 and Credit Cash $100 for the payment of the costs associated with the construction. If the contribution occurred after construction, the accounting entry would only include the debit

to cash and the credit to the liability account. The cash would be treated by the Company as a reimbursement to the shareholder for the costs of construction, but in neither case is the contribution treated as a revenue.

Q. ARE CIAC CHARGES SOMETIMES INCLUDED IN A UTILITY'S TARIFFS?

A. Yes, but in those instances any accounting entries and the effect on ratemaking of the contributions remains the same.

Q. DID THE CURRENT OWNERS OF THE UTILITY DEVELOP ANY LOTS IN THE DEVELOPMENT?

A. No. The current owners were not the developers of the Horseshoe Bend or Shawnee Bend developments nor did they construct any of the utility's infrastructure prior to their purchasing the utility. But, they are collecting in rates a return on their purchase of the utilities and they are also collecting availability fees for reimbursement of utility infrastructure costs. However, the funds from those availability fees are not being recognized as a contribution offset to the utility's rate bases.

Q. WHAT IS THE PUBLIC COUNSEL'S POSITION ON THIS ISSUE?

A. Public Counsel believes that the amount of availability fees assessed and collected, current and past, should be determined for all three utility systems and an equal amount of CIAC should be included as an offset to each utility's rate base. Furthermore, since availability fees are continuing to be collected by the current owners of systems, those funds should also

be included as a contribution offset in future cases' rate base until such time as the availability fees are no longer collected.

Q. DOES PUBLIC COUNSEL HAVE A SPECIFIC RECOMMENDATION AS TO THE AMOUNT OF CIAC TO INCLUDE AS AN OFFSET FOR EACH OF THE THREE UTILITY SYSTEMS?

A. Not at this time. Public Counsel believes that it is the Company's burden to prove the value of the rate base it proposes to earn a return on; however, I currently have numerous data requests outstanding to the utility which, if answered completely, should provide me with the information necessary to make such a recommendation. As such, I will update the Commission with the Public Counsel's specific proposals in later testimony.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

CASE PARTICIPATION
OF
TED ROBERTSON

Company Name	Case No.
Missouri Public Service Company	GR-90-198
United Telephone Company of Missouri	TR-90-273
Choctaw Telephone Company	TR-91-86
Missouri Cities Water Company	WR-91-172
United Cities Gas Company	GR-91-249
St. Louis County Water Company	WR-91-361
Missouri Cities Water Company	WR-92-207
Imperial Utility Corporation	SR-92-290
Expanded Calling Scopes	TO-92-306
United Cities Gas Company	GR-93-47
Missouri Public Service Company	GR-93-172
Southwestern Bell Telephone Company	TO-93-192
Missouri-American Water Company	WR-93-212
Southwestern Bell Telephone Company	TC-93-224
Imperial Utility Corporation	SR-94-16
St. Joseph Light & Power Company	ER-94-163
Raytown Water Company	WR-94-211
Capital City Water Company	WR-94-297
Raytown Water Company	WR-94-300
St. Louis County Water Company	WR-95-145
United Cities Gas Company	GR-95-160
Missouri-American Water Company	WR-95-205
Laclede Gas Company	GR-96-193
Imperial Utility Corporation	SC-96-427
Missouri Gas Energy	GR-96-285
Union Electric Company	EO-96-14
Union Electric Company	EM-96-149
Missouri-American Water Company	WR-97-237
St. Louis County Water Company	WR-97-382
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GR-98-374
United Water Missouri Inc.	WR-99-326
Laclede Gas Company	GR-99-315
Missouri Gas Energy	GO-99-258
Missouri-American Water Company	WM-2000-222
Atmos Energy Corporation	WM-2000-312
UtiliCorp/St. Joseph Merger	EM-2000-292
UtiliCorp/Empire Merger	EM-2000-369
Union Electric Company	GR-2000-512
St. Louis County Water Company	WR-2000-844
Missouri Gas Energy	GR-2001-292
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company	EC-2002-1
Empire District Electric Company	ER-2002-424

Schedule TJR-1.1

CASE PARTICIPATION
OF
TED ROBERTSON

Company Name	Case No.
Missouri Gas Energy	GM-2003-0238
Aquila Inc.	EF-2003-0465
Aquila Inc.	ER-2004-0034
Empire District Electric Company	ER-2004-0570
Aquila Inc.	EO-2005-0156
Aquila, Inc.	ER-2005-0436
Hickory Hills Water & Sewer Company	WR-2006-0250
Empire District Electric Company	ER-2006-0315
Central Jefferson County Utilities	WC-2007-0038
Missouri Gas Energy	GR-2006-0422
Central Jefferson County Utilities	SO-2007-0071
Aquila, Inc.	ER-2007-0004
Laclede Gas Company	GR-2007-0208
Kansas City Power & Light Company	ER-2007-0291
Missouri Gas Utility, Inc.	GR-2008-0060
Empire District Electric Company	ER-2008-0093
Missouri Gas Energy	GU-2007-0480
Stoddard County Sewer Company	SO-2008-0289
Missouri-American Water Company	WR-2008-0311
Union Electric Company	ER-2008-0318
Aquila, Inc., d/b/a KCPL GMOC	ER-2009-0090
Missouri Gas Energy	GR-2009-0355
Empire District Gas Company	GR-2009-0434
Lake Region Water & Sewer Company	SR-2010-0110
Lake Region Water & Sewer Company	WR-2010-0111
Missouri-American Water Company	WR-2010-0131
Kansas City Power & Light Company	ER-2010-0355
Kansas City Power & Light Company	ER-2010-0356
Timber Creek Sewer Company	SR-2010-0320
Empire District Electric Company	ER-2011-0004
Union Electric Company, d/b/a AmerenUE	ER-2011-0028
Missouri-American Water Company	WR-2011-0337
Union Electric Company, d/b/a AmerenMO	EU-2012-0027
Missouri-American Water Company	WA-2012-0066
Union Electric Company, d/b/a AmerenMO	ER-2012-0166
Laclede Gas Company	GO-2012-0363
Kansas City Power & Light Company	ER-2012-0174
Kansas City Power & Light Company GMOC	ER-2012-0175
Empire District Electric Company	ER-2012-0345
Emerald Pointe Utility Company, Inc.	SR-2013-0016
Liberty Utilities	GO-2014-0006
Lincoln County Sewer & Water, LLC	SR-2013-0321
Lincoln County Sewer & Water, LLC	WR-2013-0322
Lake Region Water & Sewer Company	WR-2013-0461