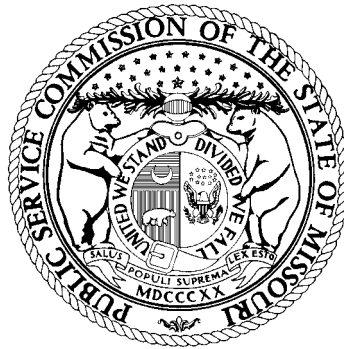


MISSOURI PUBLIC SERVICE COMMISSION

LAKE REGION WATER & SEWER COMPANY'S AND STAFF'S JULY 23, 2010 RESPONSE TO MISSOURI PUBLIC SERVICE COMMISSION'S JULY 19, 2010 ORDER REGARDING JULY 16, 2010 SCENARIO MODELS FILED ON JULY 20, 2010



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 23, 2010*

LAKE REGION WATER & SEWER COMPANY'S
AND STAFF'S JULY 23, 2010 RESPONSE TO
MISSOURI PUBLIC SERVICE COMMISSION'S
JULY 19, 2010 ORDER REGARDING JULY 16, 2010
SCENARIO MODELS FILED ON JULY 20, 2010

1. The Commission issued an Order on July 19, 2010 (the July 19th Order) requiring Lake Region Water & Sewer Company (Lake Region) and Staff of the Missouri Public Service Commission (Staff) to jointly file the revenue requirement scenario models relating to the July 16, 2010 (the July 16th Report) jointly filed report. The revenue requirement scenario models were prepared based what the Company and Staff believed were the scenarios identified in the Commission's June 24, 2010 Order (the June 24th Order). Those revenue requirement scenario models were filed as ordered by the Commission on July 20, 2010.

2. On July 21, 2010 the Parties (Lake Region, the Office of the Public Counsel, and Staff) had a conference call with the Regulatory Law Judge Harold Stearley concerning the scenarios identified in the June 24th Order regarding availability fees and the contributed plant identified as contribution in aid of construction (CIAC)-- (the July 21st Conference Call). It was determined that the scenario results identified in the July 16th Report and filed July 20, 2010 were wrong. Consequently Lake Region and Staff has re-calculated the scenarios in this filing. The Revenue Requirement scenario models are being re-filed as part of the July 23, 2010 filing.

Commission's June 24, 2010 Order on Scenarios

3. The June 24th Order identified the scenarios ordered by the Commission for availability fees and related 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 the July 16th filing was the revenue requirement contained in the May 18th Report-- revised for Staff's position on rate case expense presented to the Commission in a report file July 9, 2010 (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 Using CIAC offset to <u>Rate Base</u> Corrected -- May 18, 2010	Staff True-up April 16, 2010 -- No Availability Fees and Using 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

5. The Commission's July 19th Order stated "no later than July 23, 2010, Lake Region Water and Sewer and the Commission's Staff shall jointly file a definitive explanation of the two revenue scenarios submitted on July 16, 2010. That explanation shall delineate, with particularity, how the adjustments to revenue and rate base resulted with the revenue requirements projected."

6. Lake Region and Staff identified the first of two scenarios, referred to in the July 16th Report and this report as the July 16th Scenario 1, what was believed to be requested by the Commission's June 24th Order using the following assumptions:

- The rate base amounts identified in the updated May 18th Report reference as Item 1 in the June 24th Order were the starting point in this scenario
- The agreed upon capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010

- 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
(Based on July 21st Conference Call this was determined to be incorrect assumption)
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802

7. The Commission's June 24th Order identified the second scenario, referred to in this report as the July 16th Scenario 2, used the following assumptions:

- The rate base amounts identified in the updated May 18th Report reference as Item 1 in the June 24th Order were the starting point in this scenario
- The agreed upon capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010
- 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)
(Based on July 21st Conference Call this was determined to be incorrect assumption)
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802

8. When filing the July 16th Report Staff believed the Commission wanted a scenario based on the offset for Availability Fee related CIAC to be \$2,990,981-- the amount identified as Item 4 in the June 24th Order. However, this assumption proved wrong when the Parties held a conference call on July 21st (discussed later in this report).

The July 16th Report did take the \$2,990,981 as the amount to offset (reduce) rate base for the Availability Fee related CIAC on a total Lake Region basis. The total amount of offset to rate base for CIAC for Scenario 2 filed July 16th was \$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.

9. 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:

Lake Region Utility Operating 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	<u>July 16th Scenario 1--</u> Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and <u>only</u> non- availability fees CIAC offset (reduction) to Rate Base Commission's June 24th Order -- Item 5	<u>July 16th Scenario 2--</u> Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and \$2.9 million CIAC related availability fees as offset (reduction) 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

The July 16th Scenarios 1 and 2 later proved to be incorrect as will be discussed later in this report.

10. Lake Region and Staff provide additional detail for the July 16th Scenario 1 as follows:

A. Based on the assumptions presented in the June 24th Order identified as Item 5-- "Non-Availability Fee related CIAC still included" which totaled \$957,802.

B. The fundamental assumption underlying this scenario is the rate base component relating to the Availability Fee related CIAC which totals \$5.3 million (actual \$5,273,850). Lake Region and Staff believed this amount originally used as an offset to rate base, was not to be used as an offset to rate base for the July 16th Scenario 1-- (as will be discussed later in this Joint Report the Company and Staff now believe the Commission wanted the full amount of \$5.3 million CIAC related to Availability Fees as offset (reduction) to rate base). The result of removing \$5.3 million CIAC related to Availability Fees from the rate base calculation as presented in the July 16th Report is to increase rate base by that amount. The contributed CIAC plant reduces rate base. When the \$5.3 million CIAC reduction is removed (CIAC for Availability Fees is recorded in rate base as \$0) the contributed plant recorded in plant in service is treated as an investment providing a return "of" and "on" through rate base and depreciation expense to the Company. Thus, the reason the revenue requirement is at its greatest level of all the scenarios presented. Simply put, rate base is higher because the CIAC is essentially removed from the revenue requirement calculation.

Consistent in each of the filings with the Commission has been the term "added back to Rate Base" as it relates to the CIAC reduction to rate base. The "add back" for CIAC was used to identify the amounts of Availability Fee related CIAC that was used to develop the various scenarios. The assumption for the "add back" to Rate Base in the July 16th Scenario 1 was a total of \$5.3 million-- the amount of total Lake Region Availability Fee

related to CIAC. This amount was used to offset rate base in addition to the Non-Availability Fee related CIAC of \$957,802.

Staff calculated the Rate Base for each Lake Region Operating System identified as Schedule 1 attached to this report. Contained on this schedule is a summation of the three operating systems by the July 16th Scenarios 1 and 2. The results for total Lake Region rate base can be identified for the July 16th Scenario 1 on Schedule 1 as:

Plant in Service	\$10,113,611
Less: Accumulated Depreciation	<u>2,144,311</u>
Net Plant in Service	\$ 7,969,300
Other Rate Base Items:	
Materials and Supplies	2,051
June 24, 2010- Commission Order CIAC	-957,802
June 24, 2010- Additional Rate Base Offset (Based on July 21st Conference Call this was determined to be incorrect assumption)	0
CIAC Depreciation-(June 24- Commission Order)	95,599
Deferred Taxes	<u>-69,280</u>
Total Rate Base	\$7,039,868

The July 16th Scenario 1 has a greater rate base than the July 16th Scenario 2 because it has less CIAC being used to reduce (offset) rate base. Only the Non-Availability Fee CIAC was used to reduce rate base for this scenario which is the assumption Lake Region and Staff used to develop the revenue requirement for the July 16th Scenario 1. In essence, the amount of Availability Fee related CIAC is "added back" or restored to rate base so the Company can earn a return on the contributed plant.

11. Lake Region and Staff provide additional detail for the July 16th Scenario 2 as follows:

A. Based on the assumptions presented in the June 24th Order as Item 4-- "Rate Base offset \$2,990,981 (addition to rate base)".

B. Non-Availability Fee related CIAC totals \$957,802.

C. The fundamental assumption underlying this scenario is the rate base component relating to the Availability Fee related CIAC which was believed at the time of the filing of the July 16th Report was given by the Commission of \$2,990,981. The results for total Lake Region rate base can be identified for the July 16th Scenario 1 on Schedule 1 as:

Plant in Service	\$10,113,611
Less: Accumulated Depreciation	<u>2,144,311</u>
Net Plant in Service	\$ 7,969,300
Other Rate Base Items:	
Materials and Supplies	2,051
June 24, 2010- Commission Order CIAC	-957,802
CIAC Depreciation-(June 24- Commission Order)	95,599
June 24, 2010- Additional Rate Base Offset (Based on July 21st Conference Call this was determined to be incorrect assumption)	-2,990,981
June 24, 2010- Additional Rate Base Offset Related CIAC Depreciation Reserve	682,396
Deferred Taxes	<u>-69,280</u>
Total Rate Base	\$4,731,283

The July 16th Scenario 2 has less rate base than July 16th Scenario 1 because it has more CIAC being used to reduce (offset) rate base. In addition to the Non-Availability Fee CIAC, a portion of the Availability Fee CIAC (\$2,990,981) was also used to reduce rate base for this scenario which is the assumption Lake Region and Staff used to develop the revenue requirement for the July 16th Scenario 2. In essence, the amount of Availability Fee related CIAC in excess of what was believed to be the Commission Ordered amount of \$2,990,981 (for this scenario) was "added back" or restored to rate base so the Company can earn a return on that portion of contributed plant not used as a rate base deduction. The Availability Fee related CIAC in excess of the \$2,990,981-- believed to be the Commission Ordered amount at the time of the July 16th Report-- was used for the July 16th Scenario 2 as \$2,282,869 (total Availability Fee CIAC is \$5,273,850 less Commission Ordered for Scenario 2 of \$2,990,981). For the July 16th Scenario 2, the \$2,282,869 was effectively "added back" or restored to rate base since this amount was not identified as an amount to leave as CIAC reduction to rate base.

Conference Call of July 21, 2010 Regarding Commission's June 24, 2010 Order on Scenarios

12. The July 21st Conference Call with the parties identified concerns regarding the various scenario filings and Orders, specifically the Commission's June 24, 2010 Order on availability fees and related rate base impacts.

13. During the July 21st Conference Call it became apparent that Staff had misinterpreted the scenarios identified in the June 24th Order. Staff had interpreted the scenario identified in the July 16th Joint Report as Scenario 1 to mean using \$330,655 as availability fee revenues but no corresponding availability fee related CIAC taken as rate base offset. In reality, what the Commission wanted to see was the revenue requirement

impact of using the \$330,655 availability fees as revenues but no adjustment reducing CIAC related to these fees-- the full impact of the \$5.3 million contributed plant recorded as plant in service was to be used as a CIAC offset (reduction) to rate base. Staff has re-calculated this scenario, identified in this report as Scenario 1 Revised using the above revenues and making no adjustment to the CIAC amounts used as offset (reduction) to rate base.

14. Staff had interpreted the scenario identified in the July 16th Joint Report as Scenario 2 to mean using \$330,655 as availability fee revenues but a corresponding availability fee related CIAC offset (reduction) to rate base to be the amount identified as Item 4 in the June 24th Order of \$2,990,981 (addition to rate base). In reality, what the Commission wanted to see was the revenue requirement impact of using the \$330,655 availability fees as revenues but showing an addition to rate of \$2,990,981 for the CIAC related availability fees. Staff has re-calculated this scenario, identified in this report as Scenario 2 Revised, using the above revenues and \$2,282,869 offset (reduction) to rate base for the CIAC related to availability fees. This amount was determined by taking the \$5,273,850 total CIAC related to availability fees less the June 24th Order amount of \$2,990,981 the Commission wanted to be added back to rate base.

15. Based on the July 21st Conference Call Lake Region and Staff identified the first of two scenarios, referred to in this report as the Scenario 1 Revised, what is now believed to be what was requested by the Commission's June 24th Order using the following assumptions:

- The rate base amounts identified in the updated May 18th Report reference as Item 1 in the June 24th Order were the starting point in this scenario

- The agreed upon capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010
- 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%

- \$5,273,850 availability fee related CIAC taken as rate base offset (reduction to rate base)
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802 (reduction to rate base)

16. The July 21st Conference Call identified the second scenario, referred to in this report as the Scenario 2 Revised, used the following assumptions:

- The rate base amounts identified in the updated May 18th Report reference as Item 1 in the June 24th Order were the starting point in this scenario
- The agreed upon capital structure and rate of return in Staff's Cost of Service Report filed on January 14, 2010
- 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 (reduction) of \$2,282,869
- Non-Availability Fee related CIAC included as offset to rate base in the amount of \$957,802 (reduction to rate base)

17. The results of the revised calculations for Scenario 1 Revised and Scenario 2 Revised are:

Lake Region Utility Operating System	Staff True-up April 16, 2010 -- No 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 Revised-- Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and <u>no</u> adjustment for non- availability fees CIAC offset (reduction) to Rate Base -- full CIAC reduction to rate base Commission's June 24th Order -- Item 5	Scenario 2 Revised-- Staff True-up April 16, 2010 -- <u>With</u> \$330,655 Availability Fees and \$2.9 million CIAC related availability fees added back to rate base-- \$2.3 million used as an offset (reduction) to Rate Base Commission's June 24th Order -- Item 4
Shawnee Bend Water	\$22,671	(\$109,591)	(\$1,138)
Shawnee Bend Sewer	112,746	(85,647)	6,587
Horseshoe Bend Sewer	44,971	44,971	91,584
TOTAL	\$180,388	(\$150,267)	\$97,033

18. The criteria for this scenario is based on the July 21st Conference Call. Lake Region and Staff provide additional detail for Scenario 1 Revised as follows:

A. Based on the assumptions presented in the June 24th Order as Item 5-- "Non-Availability Fee related CIAC still included" of \$5,273,850 as an offset (reduction) to rate base.

B. Non-Availability Fee related CIAC totals \$957,802 treated as offset (reduction) to rate base.

C. The fundamental assumption underlying this scenario is the rate base component relating to the Availability Fee related CIAC which totals \$5.3 million (actual \$5,273,850). After the July 21st Conference Call Lake Region and Staff now believe this amount originally used as an offset (reduction) to rate base, is to continue to be used as an offset to rate base for the Scenario 1 Revised. The result of including the \$5.3 million Availability Fee related CIAC amount as an offset (reduction) to the rate base calculation is to increase rate base by that amount. The contributed CIAC plant reduces rate base. When the \$5.3 million CIAC reduction is included as an offset (reduction) to rate base the contributed plant recorded in plant in service is in essence taken as a \$0 amount. No return "of" and "on" through rate base and depreciation expense is being provide to the Company as there is no actual investment to Company for this contributed plant. Taking the full reduction to rate base for the Availability Fee related CIAC results in the least rate base amount and, thus the reason the revenue requirement is the lowest level of all the scenarios presented. Simply put, rate base is lower because the CIAC essentially removes the contributed plant from the revenue requirement calculation.

Consistent in each of the filings with the Commission has been the term "added back to Rate Base" as it relates to the CIAC reduction to rate base. The "add back" for CIAC was used to identify the amounts of Availability Fee related CIAC that was used to develop the various scenarios. The assumption for the "add back" to Rate Base in Scenario 1

Revised was a total of \$5.3 million-- the amount of total Lake Region Availability Fee related to CIAC. This amount was used to offset rate base-- or reduce rate base in addition to the Non-Availability Fee related CIAC of \$957,802.

Staff calculated the Rate Base for each Lake Region Operating System identified as Schedule 2 attached to this report. Contained on this schedule is a summation of the three operating systems by Scenarios 1 Revised and 2 Revised. The results for total Lake Region rate base can be identified for Scenario 1 Revised on Schedule 2 as:

Plant in Service	\$10,113,611
Less: Accumulated Depreciation	<u>2,144,311</u>
Net Plant in Service	\$7,969,300
Other Rate Base Items:	
Materials and Supplies	2,051
June 24, 2010- Commission Order CIAC	-6,231,652
CIAC Depreciation-(June 24- Commission Order)	1,274,680
Deferred Taxes	<u>-69,280</u>
Total Rate Base	\$2,945,099

The Scenario 1 Revised has less rate base than the Scenario 2 Revised because it has more CIAC being used to reduce (offset) rate base. Both the Availability Fee related CIAC and the Non-Availability Fee CIAC were used to reduce rate base for this scenario which is the assumption Lake Region and Staff used to develop the revenue requirement for Scenario 1 Revised.

19. Lake Region and Staff provide additional detail for Scenario 2 Revised as follows:

A. Based on the assumptions presented in the June 24th Order as Item 4-- "Rate Base offset \$2,990,981 (addition to rate base)." This criteria is interpreted as adding the \$2,990,981 to rate base by removing the exact amount from the Availability Fee CIAC, the effect of which will cause rate base to be higher by this amount.

B. Non-Availability Fee related CIAC totals \$957,802.

C. The fundamental assumption underlying this scenario is the rate base component relating to the Availability Fee related CIAC which was given by the Commission of \$2,990,981. The results for total Lake Region rate base can be identified for the July 16th Scenario 1 on Schedule 1 as:

Plant in Service	\$10,113,611
Less: Accumulated Depreciation	<u>2,144,311</u>
Net Plant in Service	\$7,969,300
Other Rate Base Items:	
Materials and Supplies	2,051
June 24, 2010- Commission Order CIAC	-957,802
CIAC Depreciation-(June 24- Commission Order)	95,599
June 24, 2010- Additional Rate Base Offset	-2,282,869
June 24, 2010- Additional Rate Base Offset Related CIAC Depreciation Reserve	522,798
Deferred Taxes	<u>-69,280</u>
Total Rate Base	\$5,279,797

Scenario 2 Revised has more rate base than Scenario 1 Revised because it has less CIAC being used to reduce (offset) rate base. In addition to the Non-Availability Fee CIAC of 957,802, a portion of the Availability Fee CIAC (\$2,282,869) was also used to reduce rate base for this scenario which is the assumption Lake Region and Staff used to develop the revenue requirement for Scenario 2 Revised. In essence, the amount of Availability Fee related CIAC in excess of the Commission Ordered \$2,990,981 (for this scenario) was "added back" or restored to rate base so the Company can earn a return on that portion of contributed plant not used as a rate base deduction. It was determined in the July 21st Conference Call that the Availability Fee related CIAC in excess of the \$2,990,981 (which is \$2,282,869) be used as an offset (reduction) to rate base for the Scenario 2 Revised (total Availability Fee CIAC is \$5,273,850 less Commission Ordered for Scenario 2 Revised of \$2,990,981-- the amount identified in the June 24th Order as Item 4). For the Scenario 2 Revised, the \$2,990,981 is effectively "added back" to rate base since this amount was not identified as an amount to leave as CIAC reduction to rate base leaving the remaining amount of \$2,282,869 as an offset (reduction) to rate base.

CONCLUSION

20. Lake Region and Staff have provided the Commission with additional detail relating to each of the two scenarios identified in the July 16th Report based on the June 24th ordered scenarios.

In addition, based on the July 21st Conference Call, a revision to both Scenario 1 and Scenario 2 has been made. The revenue requirement impacts are identified in the table above referenced as Scenario 1 Revised and Scenario 2 Revised.

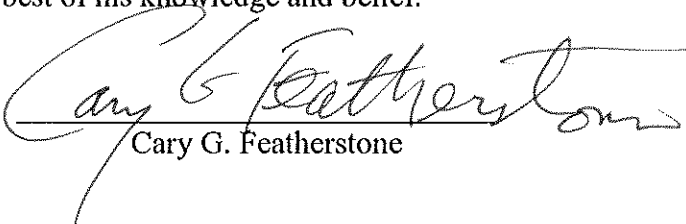
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Lake Region Water & Sewer Company's Application to Implement a General Rate Increase in Water and Sewer Service.)		SR-2010-0110
)		
)	Case No.	AND
)		
)		WR-2010-0111

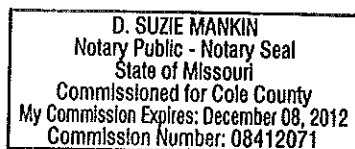
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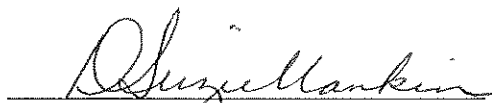
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Cary Featherstone, of lawful age, on his oath states: that he has reviewed and analyzed the Staff Response to the Commission's July 19, 2010 Order 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 23rd day of July, 2010.




Notary Public

LAKE REGION WATER & SEWER COMPANY

Case No. SR-2010-0110

Case No. WR-2010-0111

RATE BASE

source: EMS Schedule 7 -- Rate Base

Lake Region Water & Sewer Operation Systems

July 16, 2010 Report

SCENARIO 1

	<u>Shawnee Bend Water</u>	<u>Shawnee Bend Sewer</u>	<u>Horseshoe Bend Sewer</u>	<u>Total Lake Region Rate Base</u>	
1 Plant in Service	\$3,970,671	\$3,952,151	\$2,190,789	\$10,113,611	
2 Less Accumulated Depreciation	<u>547,797</u>	<u>836,632</u>	<u>759,882</u>	<u>2,144,311</u>	
3 Net Plant in Service	\$3,422,874	\$3,115,519	\$1,430,907	\$7,969,300	
4 Other Rate Base Items:					
Materials and Supplies	817	805	429	2,051	
June 24, 2010- Commission Order CIAC	-646,127	-207,046	-104,629	-957,802	Non-Availability Fee CIAC
CIAC Depreciation-(June24-Commission) Order	54,307	27,430	13,862	95,599	
Deferred Taxes	<u>-17,682</u>	<u>-18,562</u>	<u>-33,036</u>	<u>-69,280</u>	
5 Total Rate Base	\$2,814,189	\$2,918,146	\$1,307,533	\$7,039,868	

SCENARIO 2

	<u>Shawnee Bend Water</u>	<u>Shawnee Bend Sewer</u>	<u>Horseshoe Bend Sewer</u>	<u>Total Rate Base</u>	
1 Plant in Service	\$3,970,671	\$3,952,151	\$2,190,789	\$10,113,611	
2 Less Accumulated Depreciation	<u>547,797</u>	<u>836,632</u>	<u>759,882</u>	<u>2,144,311</u>	
3 Net Plant in Service	\$3,422,874	\$3,115,519	\$1,430,907	\$7,969,300	
4 Other Rate Base Items:					
Materials and Supplies	817	805	429	2,051	
June 24, 2010- Commission Order CIAC	-646,127	-207,046	-104,629	-957,802	Non-Availability Fee CIAC
CIAC Depreciation-(June24-Commission) Order	54,307	27,430	13,862	95,599	
June 24, 2010- Additional Rate Base Offset	-1,202,046	-1,188,383	-600,552	-2,990,981	Commission June 24th Order Availability Fee CIAC
June 24, 2010- Additional Rate Base Offset related CIAC Depreciation Reserve	187,978	328,440	165,978	682,396	
Deferred Taxes	<u>-17,682</u>	<u>-18,562</u>	<u>-33,036</u>	<u>-69,280</u>	
5 Total Rate Base	<u>\$1,800,121</u>	<u>\$2,058,203</u>	<u>\$872,959</u>	<u>\$4,731,283</u>	

LAKE REGION WATER & SEWER COMPANY

Case No. SR-2010-0110

Case No. WR-2010-0111

RATE BASE

source: EMS Schedule 7 -- Rate Base

Lake Region Water & Sewer Operation Systems

July 23, 2010 Report

SCENARIO 1 Revised

	<u>Shawnee Bend Water</u>	<u>Shawnee Bend Sewer</u>	<u>Horseshoe Bend Sewer</u>	<u>Total Lake Region Rate Base</u>	
1 Plant in Service	\$3,970,671	\$3,952,151	\$2,190,789	\$10,113,611	
2 Less Accumulated Depreciation	<u>547,797</u>	<u>836,632</u>	<u>759,882</u>	<u>2,144,311</u>	
3 Net Plant in Service	\$3,422,874	\$3,115,519	\$1,430,907	\$7,969,300	
4 Other Rate Base Items:					
Materials and Supplies	817	805	429	2,051	
June 24, 2010- Commission Order CIAC	-2,934,677	-2,190,169	-1,106,806	-6,231,652	Non-Availability Fee CIAC
CIAC Depreciation-(June24-Commission) Order	402,950	579,087	292,643	1,274,680	
Deferred Taxes	<u>-17,682</u>	<u>-18,562</u>	<u>-33,036</u>	<u>-69,280</u>	
5 Total Rate Base	\$874,282	\$1,486,680	\$584,137	\$2,945,099	

SCENARIO 2 Revised

	<u>Shawnee Bend Water</u>	<u>Shawnee Bend Sewer</u>	<u>Horseshoe Bend Sewer</u>	<u>Total Rate Base</u>	
1 Plant in Service	\$3,970,671	\$3,952,151	\$2,190,789	\$10,113,611	
2 Less Accumulated Depreciation	<u>547,797</u>	<u>836,632</u>	<u>759,882</u>	<u>2,144,311</u>	
3 Net Plant in Service	\$3,422,874	\$3,115,519	\$1,430,907	\$7,969,300	
4 Other Rate Base Items:					
Materials and Supplies	817	805	429	2,051	
June 24, 2010- Commission Order CIAC	-646,127	-207,046	-104,629	-957,802	Non-Availability Fee CIAC
CIAC Depreciation-(June24-Commission) Order	54,307	27,430	13,862	95,599	
June 24, 2010- Additional Rate Base Offset	-917,463	-907,035	-458,371	-2,282,869	Commission June 24th Order Availability Fee CIAC
June 24, 2010- Additional Rate Base Offset related CIAC Depreciation Reserve	144,669	251,190	126,939	522,798	
Deferred Taxes	<u>-17,682</u>	<u>-18,562</u>	<u>-33,036</u>	<u>-69,280</u>	
5 Total Rate Base	<u>\$2,041,395</u>	<u>\$2,262,301</u>	<u>\$976,101</u>	<u>\$5,279,797</u>	