

Exhibit No.: _____
Issue: Executive Management Costs
Witness: Vernon Stump
Sponsoring Party: Lake Region Water & Sewer Company
Case Nos.: SR-2010-0110 and WR-2010-0111

LAKE REGION WATER & SEWER COMPANY

Case Nos. SR-2010-0110 and WR-2010-0111

REBUTTAL TESTIMONY

OF

VERNON STUMP

Four Seasons, Missouri
February, 2010

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

In the Matter of Lake Region Water)
& Sewer Company for Authority) Case No. WR-2010-0111
to File Tariffs Increasing Rates for) Case No. SR-2010-0110
Water and Sewer Provided to)
Customers in the Company's)
Missouri Service Area)

AFFADAVIT OF VERNON STUMP


STATE OF TEXAS)
) ss
COUNTY OF BREWSTER)

Vernon Stump, being first sworn on his oath, states:

1. My name is Vernon Stump. I reside in Brewster County, Texas, and I am the President of Lake Region Water & Sewer Company, Inc.

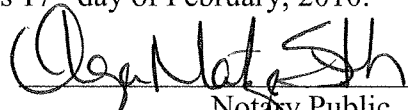
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Lake Region Water & Sewer Company consisting of ___ pages, and Schedule ___, all of which have been prepared in written form for introduction into evidence in the above referenced dockets.

3. I here by swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



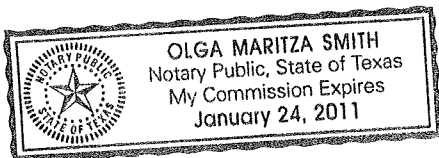
Vernon Stump

Subscribed and sworn before me this 17th day of February, 2010.



Notary Public

My commission expires:



1 REBUTTAL TESTIMONY

2 OF

3 VERNON STUMP

4 CASE NOS. SR-2010-0110 AND WR-2010-0111

5 **Q. Please state your full name and business address.**

6 A. My name is Vernon Stump. My business address is 62 Bittersweet Road, Four
7 Seasons, MO 65049.

8 **Q. Have you previously filed testimony in the two cases referenced above?**

9 A. No.

10 **Q. What is your position with Lake Region Water & Sewer Company?**

11 A. I am President of the company.

12 **Q. Please describe your educational background and work experience.**

13 A. I have a BS in Civil Engineering from the University of Missouri, an MS in Civil
14 Engineering from the University of California at San Jose and a PhD in Sanitary
15 Engineering from the University of Missouri. I began my engineering career in 1969
16 with the US Coast Guard. My primary duties included the operation and maintenance
17 of water and sewer facilities. I went on to found two Missouri-based companies
18 dealing with water and wastewater issues. Exhibit 1 is a resume detailing my
19 experience in the water and sewer industry for over 40 years.

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to address and rebut certain statements and assertions
22 regarding executive management fees made by Mr. Robertson in his direct testimony
23 and by certain customers during the public hearing on the above referenced cases.

EXECUTIVE MANAGEMENT COSTS

1
2 **Q. Are you an employee of the Company?**

3 A. No. The Company uses a management approach developed over my many years in
4 the industry. The executive management group consists of me, Robert Schwermann
5 and Brian Schwermann (the Group). The Group devotes only as much time as is
6 necessary to meet the needs of the Company. The Group has used this management
7 model successfully for other utility holdings.

8 **Q. Do you agree with Public Counsel's position regarding the executive**
9 **management group?**

10 A. No. On page 19 of Mr. Robertson's Direct Testimony he states that the duties
11 performed by the executive management team are more representative of duties
12 performed by a board of directors. In addition, Public Counsel believes the costs
13 recorded by the Company appear excessive for a utility the size of Lake Region.
14 Company believes the amounts recorded are reasonable and the duties performed by
15 the executive management team are representative of duties performed by top
16 executives in virtually every company in every industry. Board members typically
17 review data prepared by the management team, set policy and provide direction for
18 the management team. Negotiations with banks on financing, meeting with field
19 personnel and consulting engineers to develop solutions and meetings with both
20 vendors and customers are not customary duties for members of the board. Company
21 has reviewed the 2008 Annual Reports for Aqua Missouri, Aqua RU, Inc. and U S
22 Water Company and I have attached Schedule 1 which summarizes the results. The
23 amounts recorded for salary and benefits for top management and/or management

1 fees range from \$31,562 to \$87,200 with the average being \$56,826. The amounts as
2 a percentage of revenue range from 6% to 12% with the average being 8%. I have
3 also compared these amounts to the amount of the annual Commission Assessment.
4 For the fiscal year beginning July 1, 2009 the amount of this assessment was \$56,741,
5 or approximately 8% of the Company's revenues for 2008. I strongly believe that the
6 Company's executive management group is deserving of at least the level of
7 compensation and expense reimbursement of the state agency which provides only an
8 oversight function.

9 **Q. Public Counsel has proposed including fees for the members of the Board of**
10 **Directors. Do you agree with Public Counsel's recommendation?**

11 A. The members of the board for Lake Region do not receive fees for attending meetings
12 and Company has not asked for or included such fees in its filing.

13 **Q. Does this conclude your Rebuttal Testimony?**

14 A. Yes, it does.