Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Revenue Requirement Schedule

Line No.		Company Filing April 30, 2010				Staff Filing May 18, 2010				Difference			
		HB	SB Swr	SB Wtr	Total	HB	SB Swr	SB Wtr	Total	HB	SB Swr	SB Wtr	Total
1	Total Annualized Revenues	327,158	395,089	315,769	1,038,016	327,158	373,489	301,369	1,002,016	-	(21,600)	(14,400)	(36,000)
2	Total Operating Expenses	357,200	259,748	190,260	807,207	366,688	261,869	190,475	819,032	9,488	2,121	215	11,825
3	Rate of Return Including Int & Inc Tax	117,895	354,848	376,460	849,203	77,503	172,969	166,808	417,464	(40,392)	(181,879)	(209,652)	(431,923)
4	Total Cost of Service (Line 2 + Line 3)	475,094	614,596	566,720	1,656,411	444,191	434,838	357,283	1,236,312	(30,903)	(179,758)	(209,437)	(420,099)
5	Total Revenue Requirement (Line 4 - Line 1)	147,936	219,507	250,951	618,395	117,033	61,349	55,914	234,296	(30,903)	(158,158)	(195,037)	(384,099)

The Line 1 difference is due to Staff using an uncollectible rate of 10% on the availability fee revenue. Company filing included 100% of the revenue.

The Line 2 difference is due both to an allocation difference and a revised CIAC Amortization calculation by Staff.
Staff has provided detailed workpapers to the Company but Company has not reviewed them in detail. For purposes of this comparison Company assumes Staff numbers are correct.

The Line 3 difference is due to Company revising the Weighted Cost of Capital and Income Tax Return to account for the additional Rate Base.
This difference is explained more fully on Pages 3 through 9 of this Schedule

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate Base Required Return on Investment Schedule

Line No.		Company Filing April 30, 2010				Staff Filing May 18, 2010				Difference			
		HB	SB Swr	SB Wtr	Total	HB	SB Swr	SB Wtr	Total	HB	SB Swr	SB Wtr	Total
1	Plant in Service	2,190,789	3,952,151	3,970,671	10,113,611	2,190,789	3,952,151	3,970,671	10,113,611	-	-	-	-
2	Less Accum Depreciation Reserve	(759,882)	(836,632)	(547,797)	(2,144,311)	(759,882)	(836,632)	(547,797)	(2,144,311)	-	-	-	-
3	Net Plant in Service	1,430,907	3,115,519	3,422,874	7,969,300	1,430,908	3,115,519	3,422,874	7,969,301	1	-	-	1
4	Other Rate Base Items:	-	-	-	-	-	-	-	-	-	-	-	-
5	Materials and Supplies	429	805	817	2,051	429	805	817	2,051	-	-	-	-
6	CIAC	(395,350)	(193,192)	(369,260)	(957,802)	(104,630)	(207,045)	(646,127)	(957,802)	290,720	(13,853)	(276,867)	-
7	CIAC Depreciaiton	70,804	34,599	66,132	171,535	13,862	27,430	54,307	95,599	(56,942)	(7,169)	(11,825)	(75,936)
8	Deferred Taxes	(33,036)	(18,562)	(17,682)	(69,280)	(33,036)	(18,562)	(17,682)	(69,280)	-	-	-	-
9	Total Rate Base	1,073,755	2,939,169	3,102,880	7,115,804	1,307,533	2,918,147	2,814,189	7,039,869	233,778	(21,022)	(288,691)	(75,935)
10	Total Weighted Rate of Return Including Income Tax Per Rate of Return Schedules	10.98%	12.07%	12.13%		5.93%	5.93%	5.93%		-5.05%	-6.14%	-6.20%	
11	Required Return & Income Tax	117,895	354,848	376,460	849,203	77,503	172,970	166,808	417,281	(40,392)	(181,878)	(209,652)	(431,922)

The Line 6 & 7 differences are due both to an allocation difference and a revised CIAC Amortization calculation by Staff.
Staff has provided detailed workpapers to the Company but Company has not reviewed them in detail. For purposes of this comparison Company assumes Staff numbers are correct.

The Line 10 difference is due to Company revising the Weighted Cost of Capital and Income Tax Return to account for the additional Rate Base.
This difference is explained more fully on Pages 3 through 9 of this Schedule

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate of Return Including Income Tax

Company Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.77%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	16.31%	15.29%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		21.06%	B1 + B2
4	Equity Tax Factor		1.2669	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		5.36%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		6.79%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		10.98%	B6 + B7
9			Equity Return	57,548

Tax Rate Table

Line No.	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	50,000	7,500
	50,001	75,000	25%	7,548	1,887
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					9,387
11					16.31%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate of Return Including Income Tax

Company Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.42%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	28.37%	26.59%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		32.01%	B1 + B2
4	Equity Tax Factor		1.4709	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		5.36%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		7.88%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		12.07%	B6 + B7
9			Equity Return	157,524

Tax Rate Table

Line No.	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	50,000	7,500
	50,001	75,000	25%	25,000	6,250
	75,001	100,000	34%	25,000	8,500
	100,001	335,000	39%	57,524	22,435
	335,001	9,999,999,999	34%	-	-
10					44,685
11					28.37%

Lake Region Water & Sewer Company

Case Numbers SR-2010-0110 & WR-2010-0111

Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010

Rate of Return Including Income Tax

Company Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.40%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	28.93%	27.12%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		32.52%	B1 + B2
4	Equity Tax Factor		1.4820	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		5.36%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		7.94%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		12.13%	B6 + B7
9			Equity Return	166,298

Tax Rate Table

Line No.	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	50,000	7,500
	50,001	75,000	25%	25,000	6,250
	75,001	100,000	34%	25,000	8,500
	100,001	335,000	39%	66,298	25,856
	335,001	9,999,999,999	34%	-	-
10					48,106
11					28.93%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate of Return Including Income Tax

Staff Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		1.39%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		1.74%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.93%	B6 + B7
9			Equity Return	21,398

Tax Rate Table

Line	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	21,398	3,210
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					3,210
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate of Return Including Income Tax

Staff Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		1.39%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		1.74%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.93%	B6 + B7
9			Equity Return	47,754

Tax Rate Table

Line No.	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	47,754	7,163
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					7,163
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Rate of Return Including Income Tax

Staff Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line No.		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		1.39%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		1.74%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.19%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.93%	B6 + B7
9			Equity Return	46,053

Tax Rate Table

Line No.	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	46,053	6,908
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					6,908
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Comparison of Alternate Rate Base Scenarios Per Order Dated May 19, 2010
Capital Structure

		Company Filing April 30, 2010				Staff Filing May 18, 2010				Difference			
Line No.		Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital	Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Outstanding Debt	2,629,091	36.95%	5.01%	1.85%	2,629,091	83.64%	5.01%	4.190%	-	0.00%	5.01%	0.00%
2	Common Equity	4,486,713	63.05%	8.50%	5.36%	514,405	16.36%	8.50%	1.391%	(3,972,308)	100.00%	8.50%	8.50%
3	Total Capital Structure	7,115,804	100.00%		7.21%	3,143,496	100.00%		5.581%	(3,972,308)	100.00%		8.50%

Line 2 difference is due to Staff not adjusting Capital Structure to account for additional Rate Base.

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Revenue Requirement Schedule

Line Number		HB	SB Swr	SB Wtr	Total
1	Total Annualized Revenues	327,158	373,489	301,369	1,002,016
2	Total Operating Expenses	366,688	261,869	190,475	819,032
3	Rate of Return Including Int & Inc Tax	67,175	149,921	144,580	361,675
4	Total Cost of Service (Line 2 + Line 3)	433,863	411,790	335,055	1,180,707
5	Total Revenue Requirement (Line 4 - Line 1)	106,705	38,301	33,686	178,691

Numbers per Staff filing 5-18-10 Except return

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Rate Base Required Return on Investment Schedule

Line Number		HB	SB Swr	SB Wtr	Total
1	Plant in Service	2,190,789	3,952,151	3,970,671	10,113,611
2	Less Accum Depreciation Reserve	(759,882)	(836,632)	(547,797)	(2,144,311)
3	Net Plant in Service	1,430,907	3,115,519	3,422,874	7,969,300
4	Other Rate Base Items:	-	-	-	-
5	Materials and Supplies	429	805	817	2,051
6	CIAC	(104,630)	(207,045)	(646,127)	(957,802)
7	CIAC Depreciaiton	13,862	27,430	54,307	95,599
8	Deferred Taxes	(33,036)	(18,562)	(17,682)	(69,280)
9	Total Rate Base	1,307,532	2,918,147	2,814,189	7,039,868
10	Total Weighted Rate of Return Including Income Tax Per Rate of Return Schedules	5.14%	5.14%	5.14%	
11	Required Return & Income Tax	67,175	149,921	144,580	361,675

Numbers Per Staff Filing 5-18-10 except return

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Rate of Return Including Income Tax

Rate of Return Including Income Tax - Horseshoe Bend Sewer

Line Number		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		0.19%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		0.24%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.90%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.14%	B6 + B7

9 Equity Return 2,532

Tax Rate Table

Line	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	2,532	380
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					380
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Rate of Return Including Income Tax

Rate of Return Including Income Tax - Shawnee Bend Sewer

Line Number		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		0.19%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		0.24%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.90%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.14%	B6 + B7
9			Equity Return	5,651

Tax Rate Table

Line	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	5,651	848
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					848
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Rate of Return Including Income Tax

Rate of Return Including Income Tax - Shawnee Bend Water

Line Number		A	B	formulas
1	State Income Tax Rate	6.25%	5.81%	(1 - (B2 x .5)) x A1
2	Federal Income Tax Rate	15.00%	14.06%	(1 - B1) x A2
3	Composite Effective Income Tax Rate		19.87%	B1 + B2
4	Equity Tax Factor		1.2480	1 / (1-B3)
5	Recommended Weighted Rate of Return on Equity		0.19%	From Capital Structure Schedule
6	Weighted Rate of Return on Equity Including Income Tax		0.24%	B4 x B5
7	Recommended Weighted Rate of Return on Debt		4.90%	From Capital Structure Schedule
8	Total Weighted Rate of Return Including Income Tax		5.14%	B6 + B7
9			Equity Return	5,449

Tax Rate Table

Line	Start	End	Tax Rate	Amount	Tax
	-	50,000	15%	5,449	817
	50,001	75,000	25%	-	-
	75,001	100,000	34%	-	-
	100,001	335,000	39%	-	-
	335,001	9,999,999,999	34%	-	-
10					817
11					15.00%

Lake Region Water & Sewer Company
Case Numbers SR-2010-0110 & WR-2010-0111
Alternate Rate Base Scenario File By Staff May 18, 2010 As Adjusted
Capital Structure

Line Number		Dollar Amount	Percentage of Total Capital Structure	Embedded Cost of Capital	Weighted Cost of Capital
1	Outstanding Debt	2,629,091	37.35%	5.01%	1.87%
2	Additional Debt for Rate Base	4,250,404	60.38%	5.01%	3.02%
2	Common Equity	160,373	2.28%	8.50%	0.19%
3	Total Capital Structure	7,039,868	100.00%		5.09%