Exhibit No.:	_____
Issue(s):	Availability Fees/ Rate Base/ Weighted Cost of Capital
Witness/Type of Exhibit:	Robertson/Rebuttal
Sponsoring Party:	Public Counsel
Case No.:	WR-2013-0461

REBUTTAL TESTIMONY

OF

TED ROBERTSON

Submitted on Behalf of the Office of the Public Counsel

LAKE REGION WATER & SEWER COMPANY

CASE NO. WR-2013-0461

January 10, 2014

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 rebuttal 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 10th day of January 2014.

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.

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REBUTTAL 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, P. O. Box 2230, Jefferson City, Missouri 65102.

Q. ARE YOU THE SAME TED ROBERTSON THAT HAS PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this Rebuttal Testimony is to update the Commission regarding Public Counsel's position on the ratemaking treatment for availability fees and to address Public Counsel's concerns regarding the Company and MPSC Staff rate base and weighted cost of capital recommendations.

III. AVAILABILITY FEES

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

A. No. Company's responses to OPC data requests have not provided the information that would allow Public Counsel to identify accurately, without estimation, the alleged contributions in aid of constructions (i.e., donated investment) associated with the individual utility's plant-in-service or the actual availability fees billed and collected by either the utility, the utility shareholders or the developer of the systems. Company's responses to relevant OPC data requests have stated it does not have the information, PWSD No. 4 does not have the authority to release the information, the information is included in the annual reports on file with the Commission, or cites MPSC Staff exhibits in its last general rate increase case which, Public Counsel believes, are not complete for the periods for which the information was requested and may or may not reconcile to the aforementioned MPSC annual reports or even to the utility's own financial records that are available to OPC.

Q. ARE THE ANNUAL REPORTS ON FILE WITH THE MPSC KNOWN TO BE HISTORICALLY INCOMPLETE AND INACCURATE WITH REGARD TO THE INFORMATION CONTAIN WITHIN THEM?

A. Yes. It has been my experience that the small utility annual reports on file with the Commission more often than not are incomplete and/or contain inaccurate information and should not be relied upon without corroborating information. That is why Public Counsel sent the interrogatories it did to the Company. Public Counsel believes it is the Company's

burden to prove the costs so it could and should provide the necessary corroborating information for plant investment, donated plant and availability fees so they are as complete and accurate as possible.

Furthermore, much of the financial information for the two sewer utilities is combined as one within the limited financial documents available to OPC. Without Company's assistance in indentifying the actual costs which belong to each, for all years the information was requested, estimation processes are required to separate the costs and those processes, if used, may differ among the parties and thus also be subject to dispute.

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

A. Yes. Public Counsel is analyzing the information that is available to it and will, as appropriate, update the Commission with the Public Counsel's specific proposals in later testimony.

IV. RATE BASE

Q. DOES PUBLIC COUNSEL HAVE CONCERNS WITH THE COMPANY AND MPSC STAFF RECOMMENDATIONS FOR RATE BASE?

A. Yes. Public Counsel believes that both the Company and MPSC Staff recommendations are likely overstated due to the fact that the full amount of availability fees collected from lot

owners within the utility's jurisdictions have not been utilized to offset the cost of the original and subsequent plant investments made by the utility.

Q. PLEASE CONTINUE.

A. Lots owners are required to pay availability fees until they connect to the Shawnee Bend Water and Sewer systems, whenever that might be. Lot owners are paying these fees to guarantee that a state of the art utility system will be available when they are ready to connect. Therefore, these fees are designed to recover the original cost of the utility investment along with any other additional treatment capacity or other water and sewer infrastructure, such as line extensions and pumping stations, etc., required to build a state of the art system to serve customers at the time they are ready to take service. Public Counsel believes that the Company and MPSC Staff have not identified the total availability fees collected over the life of the systems and thus, have not compared those collections to the investment and donated plant in each individual system in order to determine if additional contributions in aid of construction should be incorporated as an offset to their recommended rate bases.

V. WEIGHTED COST OF CAPITAL

Q. DOES PUBLIC COUNSEL HAVE CONCERNS WITH THE COMPANY AND MPSC STAFF RECOMMENDATIONS FOR WEIGHTED COST OF CAPITAL?

A. Yes. My primary concerns are the Company and MPSC Staff recommended capital structures and return on common equity. The Company's recommendation incorporates a capital structure of 59.90% debt and 40.10% equity% that is based on its proposed net rate

base along with a common equity return of 11.07% and a debt cost of 5.00% for the loan authorized in its recent financing Case No. WF-2013-0118. Whereas, the MPSC Staff's recommendation incorporates a hypothetical capital structure of 75.00% debt and 25.00% equity with a common equity return of 13.89% and a debt cost of 5.00%. The MPSC Staff utilized a hypothetical capital structure due to the fact that its analysis determined the capital structure of the Company consists of 100.00% debt based on a comparison of the MPSC Staff's recommended net rate base versus the aforementioned WF-2013-0118 loan plus another loan shareholders utilized to finance the original acquisition of the utility. Thus, according to the MPSC Staff, because there are practical limitations on estimating the cost of equity at such extreme levels of leverage the MPSC Staff decided to cap the leverage ratio at 75% debt.

Q. PLEASE CONTINUE.

A. The fundamental difference between the two parties capital structure recommendations centers around the ratemaking treatment of the acquisition loan. The Company did not include the acquisition loan in its recommended capital structure while the MPSC Staff utilized the acquisition loan in its analysis and ultimate recommendation to move to a hypothetical capital structure. Public Counsel is reviewing the relevant documents surrounding this issue and will, as appropriate, address the capital structure and common equity return issue in later testimony.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.