

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Local Public Hearing

January 26, 2010
Osage Beach, Missouri
Volume 2

In the Matter of Lake Region Water)
& Sewer Company's Application To)
Implement A General Rate Increase) File No. SR-2010-0110
In Water and Sewer Service)

In The Matter of Lake Region Water)
& Sewer Company's Application To)
Implement A General Rate Increase) File No. WR-2010-0111
In Water and Sewer Service)

HAROLD STEARLEY, Presiding,
SENIOR REGULATORY LAW JUDGE

REPORTED BY:

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25 Service Commission.

1 P R O C E E D I N G S

2 JUDGE STEARLEY: Good evening. It's
3 Tuesday, January 26, 2010. The Missouri Public Service
4 Commission has set this time for a local public hearing in
5 File Nos. SR-2010-0110 and WR-2010-0111 in which Lake
6 Region Water & Sewer Company seeks to implement a general
7 rate increase for its water and sewer service in Missouri.

8 My name is Harold Stearley, and I'm the
9 presiding officer for tonight's hearing. Unfortunately,
10 none of the Commissioners were able to come tonight.
11 They're all engaged in other activities and hearings.
12 However, I want to assure you that any of you that would
13 like to speak tonight, your comments will be made part of
14 the record in this case and all the Commissioners will be
15 reviewing those comments.

16 Additionally, I know Staff has provided
17 comment cards if you-all would rather file written
18 comments, and you can also make comments on our website
19 for PSC as well.

20 I do have one name on our signup sheet.
21 The way the procedure will work for this is we will call
22 the witness. If you don't feel comfortable sitting up
23 here in front of everyone, you're welcome to stay at your
24 seat, but I will swear you in, ask you a couple
25 preliminary questions and have you state and spell your

1 name for our court reporter so we get the record correct,
2 and then you'll be allowed to give whatever comments you'd
3 like to give.

4 Does anyone have any questions about the
5 procedure we'll follow this evening? All right. Well,
6 we'll begin by taking entries of appearance from counsel
7 for the parties here, starting with Lake Region Water &
8 Sewer Company.

9 MR. COMLEY: Thank you, Judge Stearley.
10 The record should reflect the entry of appearance of Mark
11 W. Comley of Newman, Comley & Ruth, PC, 601 Monroe,
12 Suite 301 in Jefferson City, Missouri, on behalf of Lake
13 Region Water & Sewer Company.

14 JUDGE STEARLEY: Thank you, Mr. Comley.
15 The Office of the Public Counsel.

16 MS. BAKER: Thank you, your Honor.
17 Christina Baker, P.O. Box 2230, Jefferson City, Missouri
18 65102, appearing on behalf of the Office of the Public
19 Counsel and the ratepayers.

20 JUDGE STEARLEY: Thank you, Ms. Baker. And
21 the Staff of the Missouri Public Service Commission.

22 MS. OTT: Judge, let the record reflect
23 Jaime Ott, P.O. Box 360, Jefferson City, Missouri 65102,
24 on behalf of the Staff.

25 JUDGE STEARLEY: Okay. We have had a

1 couple other entities intervene in our case. Are any of
2 the intervenors represented by counsel tonight?

3 (No response.)

4 JUDGE STEARLEY: Let the record reflect
5 that intervenors have made no appearance tonight.

6 All right. Well, starting with the one
7 name I have on my list, I'll call Marge Elrod. Ms. Elrod,
8 if you'd please raise your right hand.

9 (Marge Elrod was sworn.)

10 JUDGE STEARLEY: Thank you. Please be
11 seated. And if you'd begin by spelling your name for our
12 court reporter.

13 MS. ELROD: Marge Elrod, M-a-r-g-e, last
14 name E-l-r-o-d.

15 JUDGE STEARLEY: Ms. Elrod, are you a
16 customer of Lake Region?

17 MS. ELROD: Yes, I am.

18 JUDGE STEARLEY: All right. You may
19 proceed.

20 MS. ELROD: All right. Thank you. I read
21 with great interest most of the testimony that was entered
22 in the PSC Staff's website. I have several comments. I
23 still have several unanswered questions. First an
24 editorial comment on the lack of representation of the PSC
25 Commissioners. I wish their schedule would have allowed

1 them to be here, because you can read the verbiage, but I
2 also think they need to understand some of the emotion.

3 Realistically, had this been a 10 percent
4 rate increase, I probably wouldn't even have bothered, but
5 the idea that it started out as a 70 percent increase and
6 now it's a 61 percent increase, in this day and age I
7 think it's incumbent upon all companies to watch how their
8 money's being spent, especially when they're spending
9 mine.

10 So with that in mind, I have a few comments
11 I'd like to make. I'll start first with the sewer and
12 water availability, the \$300 annual fee that's charged to
13 undeveloped lots. The monthly fee, it was supposed to be
14 \$10 a month for, I think, water and 15 a month for sewer.
15 Anyway, it comes up to 300 a year. So it says the monthly
16 fee is to be used for construction, operation, maintenance
17 and eventual hookup to the underwater -- or underground
18 central sewer system.

19 Well, with that in mind, it's absolutely my
20 belief that \$300 should be used to keep the existing
21 system in appropriate working condition so that when an
22 undeveloped lot is developed, that we're ready to use it.
23 If there's any increases, any corrections, any maintenance
24 that needs to be done, it's absolutely my belief that \$300
25 fee should be used to offset that.

1 From everything I can read, it appears that
2 the money initially went into the same checking account
3 and was distributed differently, but, in fact, that \$300
4 being collected off of each undeveloped lot, which there
5 are numerous, is not part of this rate hearing and those
6 numerous funds are not being used to keep the money -- or
7 keep the infrastructure going.

8 So part of that as well, when you're
9 looking at how the money was spent and where it went, I
10 believe that's inappropriate as well. And I understand
11 that some of this was created when the development was
12 initially started and subsequently was sold to Lake
13 Regional, but with that in mind, I absolutely believe that
14 there is a problem.

15 The auditor, Ted Robertson, identified that
16 there was double counting of debt service cost. I'm not
17 sure who the accountant is for Lake Region Water, but you
18 might want to look for someone else.

19 When you look at the fact that, according
20 to this testimony it says they have an operator. Well, an
21 looks like one, to provide daily operational and
22 maintenance services. But with that in mind, when you
23 look at the costs that were spent, it was pretty darn
24 significant of the money.

25 So you look at -- when I look at labor, and

1 while I am not an accountant, I'm fairly dangerous, and
2 you look at the labor costs that are charged, to me it
3 absolutely doesn't relate to a single person or even
4 several people, or if it is, I want to become one of their
5 employees. It looks like 38,000 and change was charged to
6 a water account labor and 115,000 and change went to sewer
7 labor for a total of 153,700.

8 Typically from an accounting perspective,
9 labor is, in fact, the direct labor to keep something in
10 operational that has nothing to do with management or
11 direct supervision. So I have a significant issue, and I
12 absolutely believe that the \$300 that have been collected
13 on each undeveloped lot absolutely should be part of the
14 rate structure as revenues that were generated for Lake
15 Region.

16 With respect to, then, of testimony from
17 Gary (sic) Featherstone, when you look at some of the
18 rates -- some of the errors that were identified, I have
19 some fairly significant challenges there. Whether you're
20 looking at management of a company or you're looking at
21 board of a company, part of being a public utility or
22 under the discretion of the Public Service Commission is
23 to ensure that you have judicious use of expenses.

24 I'm trying to figure out how three people
25 spend \$500 a month in travel expenses for a total of

1 \$18,000 a year when you're looking at Lake Regional. I'm
2 not sure how you can come up with enough mileage even at
3 47 and a half cents to come up with \$18,000 in travel.

4 Two, I believe that the fees that were paid
5 to each of them, 23,000 and change, were excessive if
6 you're looking at a board. Typically you're talking a few
7 hundred dollars. I've been on lots of boards, and you get
8 paid a few hundred dollars to come to a meeting. It
9 certainly isn't in the thousands.

10 So with that in mind, with all the
11 discrepancies that have been identified, while a rate
12 increase may be justified, I certainly think there's more
13 questions that need to be answered, more accounting
14 records that need to be culled through, and I'd much
15 rather see a clean set of records that accurately reflect
16 Generally Accepted Accounting Principles before I could
17 support a rate increase, and I would hope the Public
18 Service Commission would agree with that.

19 That concludes my testimony.

20 JUDGE STEARLEY: Ms. Elrod, if you'd please
21 stay seated, I'm going to ask if the attorneys present
22 have questions for you. Then I may have a couple quick
23 questions for you as well.

24 Attorneys, any questions for Ms. Elrod?

25 MS. BAKER: I do, if you want me to begin.

1 You were -- about the availability fees, you were reading
2 from a document. What document was that?

3 MS. ELROD: Direct testimony of Ted
4 Robertson.

5 MS. BAKER: Was there -- was there another
6 document that you were reading that was saying what the
7 availability charges were to be for or was that --

8 MS. ELROD: That's from --

9 MS. BAKER: That was from his. Okay.

10 MS. ELROD: This was -- it said it was
11 Schedule 3 of Mr. Meyer's rebuttal testimony. That
12 document stated that the monthly fee was to be used for
13 construction, operation, maintenance and eventual hookup
14 of the underground central sewer system.

15 MS. BAKER: I just wanted to make sure you
16 were not having another document in your hand that needed
17 to go in.

18 MS. ELROD: No.

19 MS. BAKER: Are you an owner of a lot that
20 pays availability charges?

21 MS. ELROD: Yes, I am, as well as -- we
22 have one undeveloped lot and we have one home. So we're
23 getting hit both ways.

24 MS. BAKER: How long have you paid that
25 availability charge?

1 MS. ELROD: Four years.

2 MS. BAKER: I think that's all the
3 questions that I have. Thank you.

4 JUDGE STEARLEY: Any questions, Ms. Ott?

5 MS. OTT: No, I do not.

6 JUDGE STEARLEY: Mr. Comley?

7 MR. COMLEY: None, thank you.

8 JUDGE STEARLEY: Ms. Elrod, have you had
9 any service issues or problems with the service that
10 you're getting?

11 MS. ELROD: No, I haven't.

12 JUDGE STEARLEY: Have you had any billing
13 problems?

14 MS. ELROD: No.

15 JUDGE STEARLEY: Customer service problems?

16 MS. ELROD: No. I don't have an issue with
17 the service at all.

18 JUDGE STEARLEY: That's all the questions I
19 would have. Any additional comments?

20 MS. ELROD: No.

21 JUDGE STEARLEY: All right. Well, thank
22 you very much for participating.

23 MS. ELROD: Thank you.

24 JUDGE STEARLEY: Ms. Elrod was the only one
25 who signed our signup sheet, but we're here and available

1 to hear anyone's comments or testimony they'd like to
2 give. We certainly want to offer the opportunity to. I
3 don't think it was a scary experience for Ms. Elrod, was
4 it?

5 MS. ELROD: No.

6 JUDGE STEARLEY: Okay. So by all means, if
7 anyone --

8 MR. FINN: I think I would like to make a
9 statement.

10 JUDGE STEARLEY: And if you'd state and
11 spell your name for us.

12 MR. FINN: G-a-r-y is the first name, and
13 last name's Finn, F-i-n-n.

14 JUDGE STEARLEY: All right. Mr. Finn, if
15 you'd please raise your right hand.

16 (Gary Finn was sworn.)

17 JUDGE STEARLEY: You may be seated. And
18 are you a customer of Lake Region?

19 MR. FINN: Yes.

20 JUDGE STEARLEY: Thank you. You may
21 proceed.

22 MR. FINN: Unfortunately, I didn't do all
23 the homework that Marge did. I didn't know it was
24 available. I wish I had because it looks like it was very
25 interesting.

1 availability fee?

2 MR. FINN: Yes, I do own a lot. We own a
3 home.

4 MS. BAKER: How many lots?

5 MR. FINN: One.

6 MS. BAKER: How long have you paid the
7 availability fee?

8 MR. FINN: I guess for a year. We've been
9 in the house for a year and a half, so -- and I haven't
10 paid any attention to what -- I get a bill and I pay it.
11 I get a water bill and I pay it. I don't know if I've had
12 a separate bill or not. I'm not sure. I probably have, I
13 guess, because I have a home on it.

14 MS. BAKER: That's the only question I
15 have. Thank you.

16 JUDGE STEARLEY: Ms. Ott?

17 MS. OTT: No questions.

18 JUDGE STEARLEY: Mr. Comley?

19 MR. COMLEY: No questions.

20 JUDGE STEARLEY: Then, Mr. Finn, I'll ask
21 you the same questions I asked Ms. Elrod. Have you had
22 any service issues with the company?

23 MR. FINN: No, not a one.

24 JUDGE STEARLEY: Any billing or service
25 issues?

1 MR. FINN: No.

2 JUDGE STEARLEY: All right. Thank you for
3 your testimony.

4 All right. Anyone else like to speak?

5 MS. BAKER: I would like to tell you that
6 this is a good opportunity to take advantage of because
7 this is your opportunity to speak to the Commission.

8 JUDGE STEARLEY: Yes. Please come forward.

9 MR. PARHAM: May I just make a brief
10 comment, please?

11 JUDGE STEARLEY: Yes, you may. I like to
12 swear everyone in because it becomes part of the official
13 record when I do that. Do you have any objection to that?

14 MR. PARHAM: No.

15 JUDGE STEARLEY: Would you please state and
16 spell your name for us.

17 MR. PARHAM: My name is Don Parham, D-o-n,
18 P-a-r-h-a-m.

19 JUDGE STEARLEY: All right. Mr. Parham, if
20 you'd please raise your right hand.

21 (Don Parham was sworn.)

22 JUDGE STEARLEY: Thank you. You may be
23 seated.

24 MR. PARHAM: Thank you.

25 JUDGE STEARLEY: I assume you too are a

1 customer of Lake Regional?

2 MR. PARHAM: I am.

3 JUDGE STEARLEY: Please proceed.

4 MR. PARHAM: Just some preliminary
5 comments, if I may, to be sure that I have all my facts
6 correct. Every month I receive a statement from Lake
7 Region Water & Sewer Company, and on this statement there
8 are three specific entities, products or service, whatever
9 you wish to call them, water, sewer and one for fire
10 hydrants. That's my first -- I want to be sure those
11 facts are correct.

12 On Shawnee Bend, there are 600 customers.
13 The proposed water increase is 28 percent. The proposed
14 sewer increase is 70 percent. On Horseshoe Bend, there
15 are 140 customers. The water increase is 28 percent, and
16 the sewer increase is 51 percent. And the purpose of this
17 annual increase is to increase operating revenues in the
18 sum of \$331,000.

19 My question is, do all of those -- are all
20 of those facts true and correct to the best of your
21 knowledge and belief?

22 JUDGE STEARLEY: Are you directing your
23 questions towards me, Mr. Parham?

24 MR. PARHAM: No. I just want to know, as a
25 general statement. I understand I can't ask you

1 questions.

2 JUDGE STEARLEY: All right.

3 MR. PARHAM: I just want to be sure that
4 those are the correct facts that I'm dealing with.

5 And then I have two questions. The actual
6 rate increase, are they cumulative or are they separate?
7 If they are cumulative, the true rate increase for Shawnee
8 Bend is 98 percent. For Horseshoe Bend, it is 79 percent.
9 If they are not cumulative, then what is the true rate
10 increases for both Shawnee Bend and Horseshoe Bend?

11 And my second question that I would like
12 answered at some point is, this rate increase is being
13 asked for operating revenues. That is within itself
14 somewhat inordinate. Rate increases are normally
15 associated with expenses, not revenues. And if they are
16 going to get a \$331,000 rate increase, what service
17 improvement am I going to see as a result of that?
18 That's all.

19 JUDGE STEARLEY: All right. I'm going to
20 check with counsel here in just a second to see if they
21 had any questions for you. But I would encourage you, if
22 you haven't had the opportunity to do so, before you leave
23 tonight, we have representatives from our Staff and
24 representatives from the company here who may be able to
25 directly answer those questions of yours.

1 MR. PARHAM: Okay. I will do that.

2 JUDGE STEARLEY: Ms. Baker, any questions?

3 MS. BAKER: Do you own an undeveloped lot
4 that you pay an availability fee on?

5 MR. PARHAM: I do not own an undeveloped
6 lot, no. I live in Porto Cima.

7 MS. BAKER: That's the only question I
8 have.

9 MS. OTT: I have no questions.

10 MR. COMLEY: I have none either.

11 JUDGE STEARLEY: Mr. Parham, the only
12 questions I have are the same I've asked the other
13 witnesses. Have you had any service issues with Lake
14 Region?

15 MR. PARHAM: None at all.

16 JUDGE STEARLEY: Any issues with billing or
17 customer service?

18 MR. PARHAM: None.

19 JUDGE STEARLEY: Thank very much for your
20 comments.

21 MR. PARHAM: Thank you.

22 JUDGE STEARLEY: Would anyone else like to
23 offer any comments? Yes, please come forward. If I could
24 also have you state and spell your name for us.

25 MR. BECKER: Sure. It's Mike Becker,

1 B-e-c-k-e-r, and I'm a resident of Porto Cima.

2 JUDGE STEARLEY: Mr. Becker, if you'd
3 please raise your right hand.

4 (Mike Becker was sworn.)

5 JUDGE STEARLEY: Thank you. You may be
6 seated. Again, I assume you are a customer of Lake
7 Regional's?

8 MR. BECKER: I am.

9 JUDGE STEARLEY: You may proceed.

10 MR. BECKER: I've heard several comments
11 here about availability fees. I guess I'd like to comment
12 on availability fees if I might. I currently own a
13 developed lot, so I'm not currently paying availability
14 fees, but I did pay availability fees on that lot for a
15 number of years, about five years before we built the
16 house, so I have some familiarity with them.

17 My numbers may not be exactly right, but in
18 Porto Cima I believe there are about almost 1,300
19 undeveloped lots, and if, in fact, each of those lots pays
20 \$300 availability fees, that sum might approach 385,
21 \$390,000, and I think that makes it a little clearer than
22 just saying 300.

23 If I understand it correctly also, the
24 availability fee is \$87 on Shawnee Bend. There's a little
25 over 3,000 lots there, and so that may calculate out to

1 \$300,000 or so. And if I understand it correctly, those
2 availability fees are considered as part of Ozark Shores'
3 rate development, but they are not with Porto Cima.

4 So to sort of hitch on to Marge's comments,
5 it certainly would seem to be beneficial to all of us if
6 those fees could be included both in the calculation of
7 the rates as well as the operation of the system.

8 I think that's probably all I have to say
9 at this point.

10 JUDGE STEARLEY: All right. Thank you.
11 Questions for Mr. Becker?

12 MS. BAKER: I have no questions. Thank
13 you.

14 MS. OTT: No questions.

15 JUDGE STEARLEY: Mr. Comley?

16 MR. COMLEY: None, thank you.

17 JUDGE STEARLEY: I would have the same
18 questions for you, sir. Have you had any service issues
19 with the company?

20 MR. BECKER: No service issues.

21 JUDGE STEARLEY: Or billing or customer
22 service?

23 MR. BECKER: Minor billing issue that was
24 immediately fixed.

25 JUDGE STEARLEY: I thank you very much for

1 your testimony.

2 MR. BECKER: All right. You're welcome.

3 JUDGE STEARLEY: Is there anyone else who
4 would like to speak? I'd like to encourage everyone to
5 feel comfortable with speaking in front of us.

6 All right. Well, seeing no other
7 volunteers, I do want to remind you that we do have
8 comment cards you can get from our staff out front if
9 you'd like to file written comments. You can also access
10 through our web page, and you can also call us or the
11 Office of Public Counsel if you'd like to register
12 comments on the rate increase.

13 The evidentiary hearing for these cases is
14 currently set to run from March 29th to April 2nd. At the
15 evidentiary hearing where the parties present their
16 evidence, the public is represented by the Office of
17 Public Counsel. So you do have a legal representative
18 there that will be there on your behalf at that hearing as
19 well.

20 I guess I don't have anything else to take
21 up. There are no further witnesses. We will go ahead and
22 adjourn. The local public hearing in Files SR-2010-0110
23 and WR-2010-0111 is hereby adjourned. Thank you all very
24 much for coming.

25 (The local public hearing was concluded.)

1 C E R T I F I C A T E

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3 STATE OF MISSOURI)
4 COUNTY OF COLE) ss.

5

6 I, Kellene K. Feddersen, Certified
7 Shorthand Reporter with the firm of Midwest Litigation
8 Services, do hereby certify that I was personally present
9 at the proceedings had in the above-entitled cause at the
10 time and place set forth in the caption sheet thereof;
11 that I then and there took down in Stenotype the
12 proceedings had; and that the foregoing is a full, true
13 and correct transcript of such Stenotype notes so made at
14 such time and place.

15 Given at my office in the City of
16 Jefferson, County of Cole, State of Missouri.

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Kellene K. Feddersen, RPR, CSR, CCR

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