

Sharpe, Sarah

From: Sharpe, Sarah
Sent: Thursday, August 02, 2012 11:11 AM
To: 'jrsummers@lakeozarks.com'
Subject: Lake Region Water & Sewer Company - 2011 MO PSC annual report - Deficiency

Follow Up Flag: Follow up
Due By: Friday, August 17, 2012 8:00 AM
Flag Status: Flagged

Categories: Follow-Up

Thank you for submitting your 2011 Annual Report to the Missouri Public Service Commission. As a result of my review, I have identified the following items that need to be corrected:

1. On page 1, lines 20 and 22, the Total Company reported sewer income does not match the reported income on page S-2, line 21. Please correct or clarify this information.
2. On page 4, line 8, an explanation of the 'water plant held for future use' was omitted. Please complete the omitted information on page 4a, line 3.
3. On page W-2, line 15, an explanation of the 'other' metered sales of water customers was omitted. Please complete the omitted information on page W-2a, line 4.
4. In regards to the amounts listed on pages W-5 and W-6 for plant and depreciation, respectively, it appears that the amounts are not correlating to the proper account number. For example, on page W-5, line 8, account 312 has an amount recorded as an asset, but there is no depreciation amount for this account on page W-6. Conversely, there is a depreciation amount on page W-6, line 10, for account 314, but no corresponding plant amount on W-5. It appears that there are multiple asset accounts that are missing an asset amount or a depreciation amount. Please check pages W-5 and W-6 for accuracy and make any necessary changes to ensure the proper correlation. Asset accounts that refer to land or intangible assets are not depreciated assets on the annual report, therefore, I have not included those assets without depreciation in the errors. If the amounts as stated are correct per your books, please call me to discuss this issue.
5. On page W-6:
 - a) Please ensure the calculations in column (h) are correct. Column (h) should total column (f) times column (g), unless there have been additions in column (d). Additions in column (d) should be depreciated at the rate in column (g) times the number of months in service. That total should be added to the total in column (h). Please correctly calculate the amounts in column (h).
 - b) The depreciation rates being used for plant assets do not agree to the rates on file from the last rate case for Lake Region Water & Sewer Company. If you are in disagreement with the rates we show on file for your Company, please let us know. The rates below are for your Company from case No. WR-2010-0111:

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Rate</u>
314	Wells & Springs	2.0%
316	Supply Mains	2.0%

325	Electric Pumping Equipment		10.0%
328	Other Pumping Equipment		5.0%
332	Water Treatment Equipment		2.9%
342	Distribution Reservoirs & Standpipes		2.5%
343	Transmission & Distribution Mains		2.0%
346.1	Meters - Bronze Chamber	(35 yr, +5% salv)	2.7%
346.2	Meters - Plastic Chamber	(10 yr, 0 salv)	10.0%
346.3	Meter Installations	(Services Rate)	2.9%
348	Hydrants		2.5%
391	Office Furniture & Equipment		5.0%
391.1	Office Computer Equipment		20.0%
392	Transportation Equipment	(7 yr, +9% salv)	13.0%
394	Tools, Shop, Garage Equipment		5.0%
395	Laboratory Equipment		5.0%
396	Power Operated Equipment		6.7%
397	Communication Equipment		6.7%

6. In regards to the amounts listed on pages S-4 and S-5 for plant and depreciation, respectively, it appears that the amounts are not correlating to the proper account number. For example, there is a depreciation amount on page S-5, line 11, for account 352.2, but no corresponding plant amount on S-4. It appears that there are multiple asset accounts that are missing an asset amount or a depreciation amount. Please check pages S-4 and S-5 for accuracy and make any necessary changes to ensure the proper correlation. Asset accounts that refer to land or intangible assets are not depreciated assets on the annual report, therefore, I have not included those assets without depreciation in the errors. If the amounts as stated are correct per your books, please call me to discuss this issue.
7. On page S-5:
- Please ensure the calculations in column (h) are correct. Column (h) should total column (f) times column (g), unless there have been additions in column (d). Additions in column (d) should be depreciated at the rate in column (g) times the number of months in service. That total should be added to the total in column (h). Please correctly calculate the amounts in column (h).
 - The depreciation rates being used for plant assets do not agree to the rates on file from the last rate case for Lake Region Water & Sewer Company. If you are in disagreement with the rates we show on file for your Company, please let us know. The rates below are for your Company from case No. SR-2010-0110:

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>
311	Structures & Improvements	3.0%

352.1	Collection Sewers (Force)	2.0%
352.2	Collection Sewers (Gravity)	2.0%
353	Other Collection Plant	4.0%
354	Services to Customers	2.0%
355	Flow Measurement Devices	3.3%
362	Receiving Wells & Pump Pits	5.0%
363	Pumping Equipment	10.0%
372	Oxidation Lagoons	4.0%
373	Treatment & Disposal Facilities	4.5%
374	Plant Sewers	4.5%
375	Outfall Sewers	2.0%
376	Other Treatment & Disposal Plant	5.0%
391	Office Furniture & Equipment	5.0%
392	Transportation Equipment (7 yr ,+ 9% salv)	13.0%
393	Other General Equipment	10.0%
394	Tools, Shop, Garage Equipment	5.0%
395	Laboratory Equipment	5.0%
396	Power Operated Equipment	6.7%
397	Communication Equipment	6.7%
398	Miscellaneous Equipment	5.0%

A response for this/these item(s) is required in order to show your report as complete and remove it from deficiency status.

You **must resubmit** the entire annual report with the appropriate changes and the reference number listed below in order for it to be properly entered into the system. Your revised annual report **must also include** a newly notarized verification page. Given the fact that the information in your revised report will have changed, the previous verification page will no longer be valid.

Your prompt attention to resolving this matter is appreciated. The Commission's rule 4 CSR 240-3.540 (4) states that a utility company which receives a notice of deficiency for the information provided in the annual report shall respond to that notice within **20 days**, or the utility company is subject to a **penalty of \$100** for each day that it is late in filing its response to the deficiency.

The completed document/revision should be submitted electronically under EFIS (accessible from the Commission's Web page <http://www.psc.mo.gov/>) or mailed to:

Data Center
Missouri Public Service Commission
200 Madison Street, Suite 100, Jefferson City, MO 65101
(P.O. Box 360, Jefferson City, MO 65102-0360)

When contacting the Commission concerning your report, please reference the following identification number: **BMAR-2013-0051 and BMAR-2013-0052.**

Should you have any questions or need assistance in this process, please contact me.

A COMPANY RESPONSE TO THE ABOVE DEFICIENCIES IS REQUIRED.

Sincerely,

Sarah Sharpe

Utility Regulatory Auditor I

Missouri Public Service Commission

111 North 7th Street, Saint Louis, MO 63101, Suite 105

(314) 340-4700, Ext. 21

sarah.sharpe@psc.mo.gov