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September 26, 2008

Via Hand Delivery

Tre Hargett, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Attention: Sharla Dillon

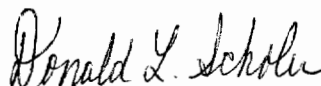
Re: Petition of Lynwood Utility Corporation for Approval of Cost Recovery
Mechanism for Deferred Odor Elimination Costs
Docket No. 08-00060

Dear Chairman:

I have enclosed an original and fourteen copies of the pre-filed testimony of Tyler Ring and James B. Ford in this docket.

Please return the additional copy of this letter to me stamp filed to me. Thank you for your assistance.

Sincerely yours,



DONALD L. SCHOLES

Enclosures

c: Gary Hotvedt
Ryan McGehee
Tyler Ring
Jim Ford

BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

In re: PETITION OF LYNWOOD UTILITY)	
CORPORATION FOR APPROVAL OF)	
COST RECOVERY MECHANISM FOR)	Docket No. 08-00060
DEFERRED ODOR ELIMINATION COSTS)	

DIRECT TESTIMONY OF JAMES B. FORD

Dated: September 26, 2008

1 Q: Please state your name, employer and address.

2 A: I am James B. Ford. I am self-employed and live at 9679 Aurora Court, Brentwood, TN,
3 37027. My telephone number is 615-308-8502.

4 Q: Have you testified before the Tennessee Regulatory Authority before?

5 A: Yes. I have testified before the Authority on matters for Lynwood Utility Corporation. When
6 the Authority was the Tennessee Public Service Commission, I testified on several occasions as
7 an employee of United Cities Gas Company. I have also testified before the Illinois Commerce
8 Commission, Virginia Corporation Commission, Kansas Corporation Commission, Missouri
9 Public Service Commission, Georgia Public Service Commission, North Carolina Regulatory
10 Service Commission, South Carolina Public Service Commission and the Iowa Corporation
11 Commission on various regulatory matters.

12 Q. Please summarize your business experience.

13 A. I have been in the business world for 38 years. I am a licensed Certified Public Accountant
14 (retired) in Tennessee. I have also been licensed in Georgia and Kansas. I worked for Arthur
15 Andersen & Co. for eight years in the Audit Division. I joined United Cities Gas Company in
16 1978 as Vice President and Controller, and in 1986 I was appointed Senior Vice President,
17 Treasurer and Chief Financial Officer. During this period United Cities made 32 acquisitions
18 and raised more than \$300 million in capital to provide for the company=s growth. In 1997,
19 United Cities Gas Company was sold to Atmos Energy Corporation. I retired and began
20 consulting work for utilities and small businesses.

21 Q: What is the purpose of your testimony?

1 A: The purpose of my testimony is to describe for the Authority how the Company has
2 accounted for deferred odor control costs and arrived at the total amount of deferred odor control
3 costs of \$31,012.27 as of January 31, 2008.

4 Q: How has the Company accounted for deferred odor control costs to reduce odor as directed
5 by the Authority in its last rate case?

6 A: The Company has accrued odor control costs in Account No. 186.7 as indicated by Mr. Ring.
7 This account was established to accrue odor control costs to comply with the directive of
8 Director Roberson at the September 10, 2001, Authority Conference. I have reviewed all
9 invoices, work orders, bills and internal costs for work related to the immediate and short term
10 measures as set forth in the Odor Measures Control Report dated August of 2007 to address odor
11 performed by the Company. Any expenses related specifically to odor reduction measures
12 implemented by the Company were properly distributed to Account No. 186.7.

13 Q: Do you have a summary of the total deferred odor control costs as of January 31, 2008.

14 A: Yes. I have attached this summary as Exhibit 1 to my testimony.

15 Q: Have you provided the invoices, work orders, bills and internal costs for work related to the
16 reduction of odor in the Company's system and the account distribution of such expenses used to
17 compile the deferred odor control costs as of January 31, 2008?

18 A: Yes. This information has been submitted to the Consumer Advocate and was filed with the
19 Authority on July 10, 2008 with a transmittal letter to the Authority's Chairman.

20 Q: What recommendation did you make to the Company about recovering the deferred odor
21 control costs?

22 A: I suggested that the Company recover the deferred odor control costs through a monthly odor
23 reduction surcharge to its monthly service rate in which the Company recovers the deferred odor

1 control costs over a six months period. I recommended a monthly surcharge of \$0.7513 per
2 1,000 gallons to recover the \$31,012.27 as of January 31, 2008, over the initial six month period.
3 I further recommended that the Company continue to recover future odor control costs with a
4 similar surcharge based upon Company's deferred odor control costs every six months. The
5 Company will submit its deferred odor control costs every six months with the necessary
6 surcharge to recover these costs over a six month period. To the extent the approved surcharge
7 over recovers or under recovers the deferred odor control costs during each six month period, the
8 over recovery or under recovery will be rolled into the next six months deferred costs to be
9 recovered.

10 Q: Do you believe such a monthly rate surcharge is a fair and equitable way to recover the
11 deferred odor control costs?

12 A. Yes. This method provides for the current recovery of the actual cost of this extraordinary
13 expense without the cost and delay associated with a general rate case.

14 Q. Why should the Company not recover odor control costs in its monthly service rate in its next
15 rate case?

16 A. For three primary reasons: (1) a surcharge only recovers the actual amount of cost incurred
17 to correct the system's odor problems without requiring a return component which would be
18 necessary if the rate case method was used; (2) the surcharge will cease when all of the costs are
19 recovered while in a rate case setting method the rate component would continue to exist until
20 the next rate case; and (3) a rate case would only address a single expense related to odor control
21 which would be very costly to the Company's ratepayers and based upon Mr. Ring's testimony
22 would require several single issue rate cases to cover all the efforts to be undertaken for odor
23 control.

1 Q: Does this conclude your testimony?

2 A: Yes.

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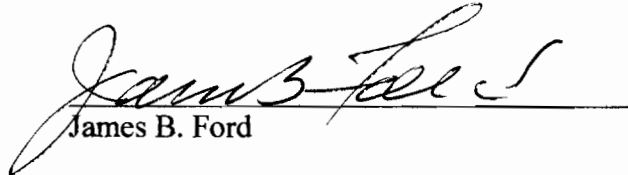
TENNESSEE REGULATORY AUTHORITY

State of Tennessee

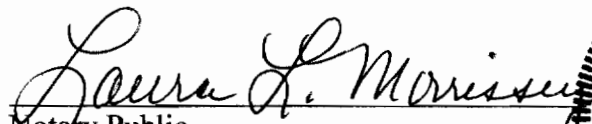
County of Williamson

BEFORE ME, the undersigned notary public, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared James B. Ford, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Lynwood Utility Corporation before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript.


James B. Ford

Sworn to and subscribed before me
This 25th day of September, 2008


Notary Public

My commission expires: 9-10-2010



BEFORE THE TENNESSEE REGULATORY AUTHORITY

Nashville, Tennessee

In re: PETITION OF LYNWOOD UTILITY)	
CORPORATION FOR APPROVAL OF)	
COST RECOVERY MECHANISM FOR)	Docket No. 08-00060
DEFERRED ODOR ELIMINATION COSTS)	

DIRECT TESTIMONY OF

TYLER RING, PRESIDENT OF LYNWOOD UTILITY CORPORATION

Dated: September 26, 2008

1 Q. Please state your name for the record.

2 A. My name is Tyler Ring.

3 Q. What is your position with Lynwood Utility Corporation (the Company)?

4 A. President.

5 Q. How long have you been President of Lynwood?

6 A. Since January 1, 2003.

7 Q. What duties do you perform as President?

8 A. I oversee all of the operations of the Company. I oversee all regulatory, utility operations,
9 utility construction and maintenance and financial aspects of the Company.

10 Q. Please explain why the Company filed this Petition to recover the deferred odor elimination
11 costs through a monthly rate surcharge?

12 A. At the Authority Conference on September 10, 2007, at which the Authority approved the
13 Company's most recent rate increase, Director Roberson directed that should Lynwood desire to
14 defer its odor elimination costs and have those costs recovered in the future, it should file a petition
15 to do so. Director Robertson suggested that such a Petition be similar to the one establishing a
16 deferral account in Docket No. 94-02529. Attached to my testimony as Exhibit 1 is a copy of an
17 excerpt of the transcript of the September 10, 2007, Authority Conference which contains Director
18 Roberson's directive. The Company filed this Petition pursuant to Director Robertson's directive
19 and suggestion.

20 Q. What measures has the Company undertaken to reduce odor at the sewer treatment plant and
21 in its collection system as set forth in the Authority Staff's Odor Control Measures Report dated
22 August of 2007?

1 A. A copy of the Odor Control Measures Report is attached to my testimony as Exhibit 2. The
2 Company has implemented all of the immediate measures to reduce odor at the sewer treatment plant
3 set forth in the Odor Control Measures Report. Lynwood has already begun implementing the short
4 term actions set forth in the Odor Control Measures Report to address odor at the plant.

5 Q. How much has the Company spent in implementing the immediate measures and short term
6 actions to reduce odor as set forth in the Odor Control Measures Report?

7 A. As of January 31, 2008, the Company has accrued deferred odor elimination costs in the
8 amount of \$31,012.27 in Account No. 186.7.

9 Q. How did the Company arrive at this amount for deferred odor elimination costs?

10 A. The Company kept track of and accounted for specific costs associated with the actions and
11 work to reduce odor within its collection system and at its sewer treatment plant. The Company
12 worked closely with its financial consultant, James B. Ford, to accurately record and account for the
13 costs incurred to reduce odor. Mr. Ford will testify about how the deferred odor elimination costs
14 were calculated and accounted for to arrive at the amount of \$31,012.27 as of January 31, 2008.

15 Q. Did the immediate measures and short terms actions the Company has taken eliminate all
16 odor at the sewer treatment plant?

17 A. No. These measures have significantly improved odor at the plant, but the odor has not been
18 completely eliminated.

19 Q. What continuing efforts and plans does the Company have to further reduce odor in its
20 collection system and at the sewer treatment plant?

1 A. The Company has continued to evaluate other measures to address the odor produced by the
2 operation of its collection system and sewer treatment plant. Additional short term measures the
3 Company is considering include the following:

4 (a) Power Generator. The installation and operation of a power generator would reduce
5 the time required to respond to emergencies at the plant by approximately 70% which would reduce
6 the odor which results from existing emergency procedures at the plant when the power is out. The
7 Company estimates a cost of \$100,000 for a power generator.

8 (b) Trailer Generator with Back Up Pump Station. The purchase of a trailer generator
9 with a back up pump station would reduce odor issues at pump stations throughout the Company's
10 collection system and would provide a back up for mechanical emergencies at the plant and at the
11 various pump stations. Because emergency alternatives always focus on an ability to treat the
12 sewage over the ability to have odor control, the reduction in emergencies by having the trailer
13 generator with a back up pump station should reduce emergencies and the odor associated with such
14 emergencies. The Company estimates a cost of \$40,000 for a trailer generator with a back up pump
15 station.

16 (c) Concrete Slab for Sludge Boxes. The Company is using three sludge boxes to
17 accommodate the needs of the Waste Management Landfill at Cedar Ridge to accept its sludge. The
18 expansion of an existing concrete slab to hold these three sludge boxes would cut down on odor due
19 to the quicker supernate return time to the influent pump station. The Company estimates a cost of
20 \$21,000 for the installation of the new concrete slab.

21 (d) New Sludge Boxes. The Company has determined that it may be able to purchase
22 two to four new sludge boxes which are completely enclosed with solid tops to help hold in odor.

1 These enclosed sludge boxes would eliminate the expensive bags that the Company is now forced to
2 purchase in order to accommodate the requirements of the Waste Management Landfill at Cedar
3 Ridge for disposal. The Company estimates a cost of \$20,000 to \$40,000 for each new sludge box.

4 (e) Increased Digester. The Company needs to increase the size of its digester in order to
5 become more efficient with the sludge handling operation which should reduce odor. The Company
6 estimates a cost of \$15,000 to \$30,000 for an increased digester.

7 Q. If these additional short term measures do not eliminate odor in the collection system and the
8 sewer treatment plant, what actions will the Company take to further reduce odor in its operations?

9 A. The Company is committed to reducing odor in its collection system and in its sewer
10 treatment plant as much as it can in order to comply with the Authority's directive to eliminate odor
11 in the operation of its system. If all of the short term measures do not reduce odor to an acceptable
12 level for the Company's customers and the Authority, the Company will have no alternative except
13 to undertake the long term measures set forth in the Odor Control Measures Report. Such long term
14 measures will include the implementation of an entire new sludge handling system. In August of
15 2007 the Company's best estimate of the cost of such a new sludge handling system was \$250,000. I
16 am confident that the projected cost of such a new sludge handling system is higher today.

17 Q. Will the Company be able to completely eliminate odor in the operation of its sewer
18 collection and treatment system?

19 A. Based upon the Company's experience, discussions with the Tennessee Department of
20 Environment and Conservation and discussions with the experts and vendors it has consulted about
21 ways to reduce odor at the plant, the Company will not be able to completely eliminate odor in the
22 operation of its system. A certain amount of odor will always occur in the normal operation of a

1 sewer treatment plant. Nevertheless, the Company is committed to taking all of the steps it can and
2 to spend the money necessary to reduce odor in the operation of its system, but the Company must
3 have the funds to pay for the costs of the measures taken to further reduce odor in the operation of its
4 system.

5 Q. How does the Company propose to finance the costs to continue to reduce odor in its system?

6 A. The Company requests that it be permitted to recover the deferred odor elimination costs of
7 \$31,012.27 as of January 31, 2008 over a six month period as set forth in Exhibit 1 to the Petition.
8 The Company proposes a surcharge to its approved monthly service rate of \$0.7513 per 1,000
9 gallons to recover the deferred odor elimination costs as recommended by Mr. Ford.

10 The Company requests that the Authority approve the continued recovery of the substantial
11 investment which Lynwood will incur to reduce the odor in its collection and treatment system
12 through this cost recovery mechanism. The Company requests that it be permitted to continue to
13 recover future odor elimination costs with a similar surcharge based upon Company's deferred odor
14 reduction costs every six months. The Company will submit its deferred odor elimination costs
15 every six months with the necessary surcharge to recover these costs over a six month period. To the
16 extent the approved surcharge over recovers or under recovers the deferred odor elimination costs
17 during each six month period, the over recovery or under recovery will be rolled into the next six
18 months deferred costs to be recovered.

19 Q. How long does the Company project that it will need to continue to recover the deferred odor
20 elimination cost surcharge?

1 A. The Company proposes to continue the deferred odor elimination cost surcharge as long as is
2 necessary for the Company to recover the costs of odor reduction measures in its system necessary
3 to reduce odor to acceptable levels to its customers and the Authority.

4 Q. Does this conclude your testimony?

5 A. Yes it does.

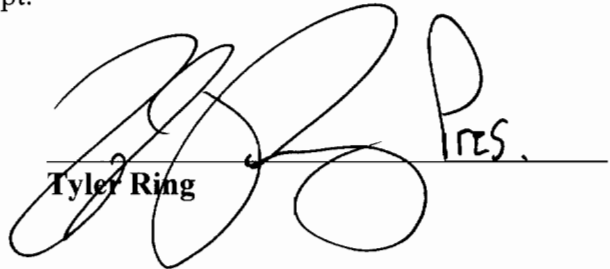
TENNESSEE REGULATORY AUTHORITY

State of Tennessee

County of Williamson

BEFORE ME, the undersigned notary public, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Tyler Ring, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Lynwood Utility Corporation before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript.


Tyler Ring

Sworn to and subscribed before me
This 26th day of September, 2008


Notary Public

My commission expires: 9-10-2010

