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T.R.A. DOCKET ROOM

HC SEWAGE TREATMENT, LLC
4718 LAKE PARK DR., STE 3
JOHNSON CITY, TN 37615

PAID T.R.A.	
Chk #	1193
Amount	25.00
Rcvd By	T3
Date	7/18/08

July 17, 2008

Tre Hargett, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

DOCKET NO.
28-00/26

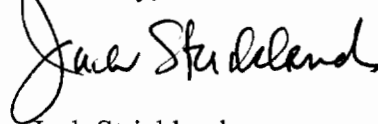
RE: Petition of HC Sewage Treatment, LLC for Approval of Adjustment of its Rates and Charges

Dear Chairman Hargett:

Enclosed please find the original and four (4) hard copies of the above-referenced *Petition* of HC Sewage Treatment, LLC and a check for \$25.00 for the filing fee.

I am requesting this be given immediate review due to the rapid decline of the company and the owners.

Sincerely,



Jack Strickland
President

cc: Darlene Standley
Chief, Utilities Division
Cynthia Kinser, Esq. and Timothy Phillips, Esq.
Consumer Advocate & Protection Division
of the Office of the Attorney General

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF HC SEWAGE TREATMENT, LLC FOR APPROVAL OF ADJUSTMENT OF ITS RATES AND CHARGES)	DOCKET NO.
)	
)	

PETITION

HC Sewage Treatment, LLC (“HC Sewage” or “Company”) respectfully requests that the Tennessee Regulatory Authority (“TRA” or “Authority”) approve its *Petition* for an adjustment of its rates and charges for wastewater services for the purpose of obtaining a general increase in its rates to its customers.

In support of its *Petition*, HC Sewage submits the following:

1. Full name and address of the principal place of business of the Company are:

HC Sewage Treatment, LLC
4718 Lake Park Drive, Suite 3
Johnson City, Tennessee 37615

2. All correspondence and communication with respect to this Petition should be sent to:

Jack Strickland
HC Sewage Treatment, LLC
4718 Lake Park Drive, Suite 3
Johnson City, Tennessee 37615
Telephone: 423-282-6811
Fax: 423-282-4060
E-mail: jackjoy@comcast.net

3. HC Sewage is a private wastewater treatment facility operating in Hampton,

Carter County, Tennessee.

4. HC Sewage is a limited liability company organized in the State of Tennessee and is authorized to do business in the State of Tennessee. HC Sewage is a public utility pursuant to the laws of the State of Tennessee and was granted its original Certificate of Public Convenience and Necessity (CCN) by the Authority on January 2, 2002 in Docket No. 00-00667. HC Sewage is subject to the jurisdiction of the TRA.

5. HC Sewage's existing rates are not adequate to permit it an opportunity to recover its reasonable operating costs and to earn a fair and reasonable rate of return on its investment. In order for HC Sewage to maintain its facilities, provide services in accordance with the reasonable requirements of its customers and the requirements of the TRA, attract capital within reasonable terms and to produce a reasonable rate of return on its invested capital, HC Sewage must be granted a general increase in its rates.

6. HC Sewage requests an increase in its sewer tariff rates. As shown on Company Exhibit A to this Petition, the forecasted 2008-2010 attrition period expense is \$132,300 or an average of \$44,100 per annum. Without rate relief, HC Sewage will incur a revenue deficiency during the attrition period.

7. HC Sewage's inability to earn a fair and reasonable rate of return on its investment results from a number of factors as set forth below and as more specifically outlined in the testimony of Jack Strickland, attached to this Petition as Exhibit B. These factors include the following:

a. HC Sewage's current tariff rates were initially set in its original CCN application and have remained the same since 2002.

b. HC Sewage's owners have had to provide their own funds to cover

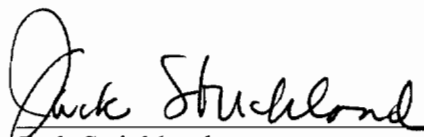
operating deficiencies.

c. HC Sewage has been operating at a loss for the past few years and it needs additional revenue to cover its operating expenses.

8. HC Sewage avers that the proposed rate changes are necessary and proper and are designed to meet the present and future needs of its customers and future customers in its service area in a feasible economic manner. The rate increase being sought is in the best interests of HC Sewage and its commercial customers. At this time, HC Sewage does not anticipate additional capital needs for equipment replacement. Therefore, the TRA should allow HC Sewage an increase in its rates and HC Sewage requests that the TRA:

1. Issue a Notice and schedule a hearing to hear this Petition;
2. Find that the existing rates of HC Sewage are inadequate and that a rate increase is fair, just, and reasonable and in the interest of HC Sewage and its continued operation;
3. Approve HC Sewage's Petition to increase rates to become effective as soon as possible; and
4. Grant HC Sewage such other and/or further relief as deemed to be necessary.

Respectfully Submitted,



Jack Strickland
4718 Lake Park Drive, Suite 3
Johnson City, TN 37615

Dated: July 17, 2008

EXHIBIT A

Expenses

Exhibit A
Page 1

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Fuel	1,147	1,181	1,217	1,253
Maintenance - mowing	840	865	891	918
Contact Svcs	19,128	19,702	20,293	20,902
Insurance	1,488	1,533	1,579	1,626
Misc - (less: tax and interest) = Accounting	825	850	875	901
Rate Case Expense		1,228	1,228	1,228
Salaries and Wages	0	3,000	3,090	3,183
Total O & M	23,428	28,359	29,173	30,011
Depreciation	6,906	6,906	6,906	6,906
Other Taxes	1,877	1,933	1,991	2,051
Carrying Cost of Original Debt	6,436	6,297	6,021	5,745
Total Expense to Cover	38,647	43,496	44,091	44,713
Total 2008 - 2010 Attrition Period				132,300
Annual Revenue Requirement				44,100

Exhibit A
Page 3

200.00
0.0557645

44,100

689,160
255,600

	Annual Base Rate Revenue	Annual Volumetric Revenue	Total Annual Revenue	
McDonalds	2400	31,739	34,138.92	
Pizza Plus	2400	7,562	9,961.67	
Total				44,101
Difference				0

EXHIBIT B

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF HC SEWAGE TREATMENT, LLC)	DOCKET NO.
FOR APPROVAL OF ADJUSTMENT OF ITS)	
RATES AND CHARGES)	

**DIRECT TESTIMONY OF JACK STRICKLAND ON BEHALF OF
HC SEWAGE TREATMENT, LLC**

1 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

2 A. My name is Jack Strickland.

3 Q. WHAT IS YOUR POSITION WITH HC SEWAGE TREATMENT, LLC?

4 A. I am the Owner and President of HC Sewage Treatment, LLC.

5 Q. WOULD YOU BRIEFLY DESCRIBE YOUR DUTIES WITH HC SEWAGE
6 TREATMENT, LLC?

7 A. I supervise the operations and establish the policies of the sewer company including
8 expansion plans and establishing budgets.

9 Q. ARE YOU AN EMPLOYEE OF HC SEWAGE TREATMENT, LLC?

10 A. Yes

11 Q. HOW AND WHY WAS HC SEWAGE TREATMENT, LLC FORMED?

12 A. HC Sewage Treatment, LLC was granted authority on January 2, 2002. Prior to this date,
13 the area was not served. The Company currently serves commercial entities.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. The purpose of my testimony is to provide information in support of the Petition filed by
16 HC Sewage Treatment, LLC ("HC Sewage" or "Company") for approval of adjustment
17 of its rates and charges.

18 Q. WERE THE COMPANY'S ACCOUNTING EXHIBITS FILED IN SUPPORT OF THE
19 COMPANY'S RATE CASE ATTACHED HERETO THE PETITION REVIEWED OR
20 PREPARED WITH YOUR AUTHORITY AND UNDER YOUR SUPERVISION?

21 A. Yes.

1 Q. WHAT IS THE SOURCE OF THE INFORMATION USED IN PREPARING THE
2 COMPANY'S ACCOUNTING EXHIBITS?

3 A. The information in the accounting exhibits was prepared from the financial and operational
4 records of the company.

5 Q. WHAT IS THE RATE INCREASE THE COMPANY IS REQUESTING IN THIS
6 CASE?

7 A. The company is seeking a rate increase as set forth in the Petition and its exhibits. The
8 rates sought are to cover projected operating costs. No rate of return is being proposed
9 since rates were based on operating margin. The company is seeking a rate increase that
10 would produce additional annual revenues of approximately \$44,100 per year.

11 Q. WHEN WAS THE COMPANY'S EXISTING RATES APPROVED?

12 A. The company's existing rates were granted by the Authority on January 2, 2002.

13 Q. WHY AN ADJUSTMENT OF THE COMPANY'S RATES AND CHARGES
14 NEEDED?

15 A. The company has been operating with a revenue deficiency since the beginning in
16 January 2002. The company has incurred a net operating loss of \$23,283.00 for the fiscal
17 year(s) ending December 31, 2007. Assuming no rate increase in the company's tariff
18 rates, the company is projected to experience a net operating loss of \$26,567.00 for 2008.
19 Even with the requested rate increase, the company will not earn a reasonable rate of
20 return. The company will merely earn enough revenue to cover its operating expenses
21 annually based on a January to December year.


22 Q. IS THE COMPANY SEEKING TO INCREASE ANY OTHER FEES AND CHARGES?

23 A. No.

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Jack Strickland", is written over a horizontal line.

Jack Strickland

President

4718 Lake Park Drive, Suite 3

Johnson City, TN 37615

Dated: July 17, 2008