

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

IN RE:

**PETITION OF TENNESSEE WATER SERVICE, INC.
FOR APPROVAL TO AMEND ITS RATES AND CHARGES**

DOCKET NO. 09-00017

**REBUTTAL TESTIMONY OF
KIRSTEN WEEKS**

July 8, 2009

1 **Q. Please state your name, occupation and business address for the record.**

2 A. My name is Kirsten Weeks. I am employed as a Manager of Regulatory Accounting
3 at Utilities, Inc., 2335 Sanders Road, Northbrook, Illinois 60062. Tennessee Water
4 Service ("TWS" or "the Company") is a wholly owned subsidiary of Utilities, Inc.

5 **Q. Was direct testimony on behalf of TWS filed by you or under your direction in**
6 **this docket?**

7 A. Yes, I filed direct testimony on January 30, 2009 in conjunction with this case in
8 Docket No. 09-00017.

9 **Q. Have you had an opportunity to read and review the direct testimony of Mr.**
10 **Terry Buckner, witness for the Tennessee Attorney General ("Intervener")?**

11 A. Yes, I have.

12 **Q. Do you agree with the adjustments and recommendations contained in Mr.**
13 **Buckner's testimony?**

14 A. The Company agrees with portions of Mr. Buckner's testimony. Specifically, the
15 Company agrees with Mr. Buckner's overall annual revenue increase of \$127,687,
16 generating total annual revenues of \$313,566. In addition, the Company agrees with
17 the changes to miscellaneous issues, including the elimination and refunding of
18 customer deposits, budget repayment for past due amounts, the noticing of returned
19 check fee charges, the waiving of disconnect and reconnect in special circumstances
20 (as well as prompt reconnection), alternate address notification, the elimination of the
21 facilities charge, and finally, adequate notification of the transition to monthly billing.
22 There are, however, two issues with which the Company disagrees.

1 **Q. Please explain the two issues where the Company's opinion differs from the**
2 **Intervener.**

3 A. TWS does not agree with the amount of rate case expense allowed in this case. TWS
4 also does not agree with the length of time for the phase-in of the increased revenue
5 requirement.

6 **Q. What does the Company suggest the allowed rate case expense should be?**

7 A. The Company asserts that a rate case expense of \$40,898 is appropriate for this case,
8 assuming an evidentiary hearing before the TRA. In the event the TRA determined that
9 a hearing is unnecessary in this case, the Company believes that rate case expense would
10 be significantly reduced to \$31,206. The Company agrees that rate case expense should
11 be amortized over four years. Please see Exhibit A attached for detail.

12 **Q. What is the Company's position on the phase-in of the proposed revenue**
13 **requirement.**

14 A. Generally speaking, TWS and its affiliated companies are opposed to phase-ins on
15 rate increases. Phase-ins prevent the Company from earning a full return on its
16 investment and operating expenses. This is due to the fact that, as the revenue
17 requirement is phased in, investment and operating expenses also are increasing.
18 Since the revenue requirement is based on an historical year with attrition, the phase-
19 in of rates does not allow the Company to catch up to the revenue requirement and the
20 return on investment allowed by the TRA.

21 The Company realizes that there has been no rate increase for this system in
22 approximately 19 years. Therefore, the Company is amenable to a phase-in, but
23 proposes a significantly shorter time period. The Company believes a six-month

1 phase-in to be appropriate for TWS, with 75% of the rate increase going into effect
2 upon completion of this case, and the remaining 25% going into effect six months
3 after the effective date of the new tariffs. A six month phase-in would allow the
4 remaining 25% to go into effect in winter months when customers use less water,
5 thereby easing the effect of the rate increase.

6 In addition, both Intervener and the Company are proponents of conservation rates,
7 ensuring that those who use the most water bear the heaviest effect of the rate
8 increase. An appropriate rate design, coupled with a six-month phase-in, allows the
9 Company to earn a return on its investment without inducing rate shock on TWS
10 customers. A rough average shows a customer currently pays approximately \$25.82
11 per month (Consumer Advocate Schedule 5, \$185,879 annual revenues/600
12 customers/12 months). A phase-in of 75% of the rate increase would provide an
13 average increase of \$13.30 per month, per customer. The remaining 25% would
14 provide an average increase of \$4.43 per month, per customer.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes, it does.

RATE CASE EXPENSE

Suggested Rate Case Expense With Hearing

	<u>Spent To Date</u>	<u>Remainder Estimated</u>	<u>Total</u>
Attorney's Fees (1)	10,100	7,950	18,050
Capitalized Time (2)	7,859	3,920	11,779
Administrative Costs (3)	9,517	1,553	11,069
			<u>40,898</u>

(1) Breakdown for remainder of \$7,950 is:

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Rebuttal Testimony	1	265	265
Prepare Briefs/Research	8	265	2,120
Travel	8	265	2,120
Witness Preparation	4	265	1,060
Hearing	5	265	1,325
Miscellaneous	4	265	1,060

(2) Breakdown of remainder for capitalized time is 80 internal hours at \$49/hour.

(3) Breakdown for remainder of administrative is:

Flight - O'Hare to Nashville	216
Flight - Raleigh to Nashville	457
Hotel (2 rooms/2 nights/\$190/night)	760
Meals (3 meals/2 people/\$20/meal)	120

Suggested Rate Case Expense Without Hearing

	<u>Spent To Date</u>	<u>Remainder Estimated</u>	<u>Total</u>
Attorney's Fees (1)	10,100	2,650	12,750
Capitalized Time (2)	7,859	980	8,839
Administrative Costs	9,517	100	9,617
			<u>31,206</u>

(1) Breakdown for remainder of \$2,650 is:

	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Rebuttal Testimony	1	265	265
Settlement Agreement/Discussions	3	265	795
Proposed Order/Tariff	4	265	1,060
Miscellaneous	2	265	530

(2) Capitalized time is 20 internal hours at \$49/hour.