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July 17, 2009

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Sara Kyle, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Via E-mail and Hand Delivery

filed electronically in docket office on 07/17/09

Attention: Sharla Dillon

Re: Petition of Lynwood Utility Corporation to Change and Increase Rates and
Charges
Docket No. 09-00034

Dear Chairman Kyle:

I have enclosed for filing an original and five copies of the Response to Second Discovery Requests of the Consumer Advocate and Protection Division to Lynwood Utility Corporation in this docket including a CD with the Response and this cover letter on it.

This Response and this cover letter are being filed electronically by electronic mail this same date. A copy has been served on the Ryan McGehee, Counsel for the Consumer Advocate. Please return the additional copy of the Response stamp filed to me.

Thank you for your assistance.

Sincerely yours,



DONALD L. SCHOLLES

Enclosures

c: Ryan McGehee
Tyler Ring
Jim Ford

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:)
)
LYNWOOD UTILITY CORPORATION'S) DOCKET NO. 09-00034
PETITION FOR ADJUSTMENT OF)
RATES)

**RESPONSE TO SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE
AND PROTECTION DIVISION TO LYNWOOD UTILITY CORPORATION**

To: Ryan McGeehee
T. Jay Warner
Counsel for Consumer Advocate
Office of the Tennessee Attorney General and Reporter,
Consumer Advocate and Protection Division
425 Fifth Avenue North
Nashville, TN 37243

The following are the Responses to the Consumer Advocate's Second Discovery Request directed to Lynwood Utility Corporation (the Company or Lynwood):

SECOND DISCOVERY REQUESTS

1. Please provide the usage volumes by individual customers by sub-division by month.

RESPONSE: The Company does not have this information in the format requested. Water usage information obtained from the water utilities which bill the Company's sewer charges are not reported by subdivision. See Company Statement on Data submitted with its response to the Staff's Data Request previously submitted in this docket.

2. Please provide a detailed breakdown of all contractual services by account and identify the vendor which provides the service.

RESPONSE: See the Company's Response to Discovery Request No. 17 to the First Discovery Request of the Consumer Advocate and Protection Division to Lynwood Utility Corporation (hereafter the CAPD First Discovery Request).

3. Please provide a brief description by vendor and account of the role and function of each contractual service.

RESPONSE: See the attached Response to Discovery Request 3.

4. Please provide, with reference to account(s), the total compensation paid to Mr. Tyler Ring for his role, duties and functions with Lynwood.

RESPONSE: \$32,000 for 2008, Account 105 Construction Work in Progress and Account 734 Contractual Services – Management Fee

5. Please describe the proposed sludge box which the company may build and its function referenced in the Company response to TRA Data Request # 14 and provide an explanation for how the sludge box would assist the company with odor control efforts.

RESPONSE: The installation of a new large sludge box placed on a concrete pad which will be covered will expedite the reduction of the sludge from wet to dry. This will reduce the weight and amount of the sludge which must be transported to the landfill which will reduce the fees charged by the landfill for the Company's sludge. The new sludge box would improve odor control in that the sludge would be covered during the drying process and the faster drying processing time will reduce the amount of time the sludge will remain at the Company's treatment plant site.

6. The Company has a collection system at the December 31, 2006 amount of \$151,750 and accumulated depreciation amount of \$22,252. Please describe the collection system and provide supporting invoices and documentation.

RESPONSE: See the attached Response to Request No. 6.

7. Referencing the collection system described in the preceding discovery request, please provide the basis for offsetting these amounts to Retained Earnings.

RESPONSE: The basis for the offsetting of these amount to Retained Earnings is per the NARUC chart of accounts.

8. Please explain why the company has recorded five new tap fees in the test year when the average number of customers increased by 18 (811 to 829)?

RESPONSE: Tap fees are paid by home builders who purchase a lot or who may purchase multiple lots in a subdivision at a time and request a commitment for sewer service upon the purchase of the lots. The home builder pays the tap fee or tap fees for multiple lots after the purchase of the lots to obtain the sewer service commitment and before houses are built. The Company does not get a new sewer customer for such lots until the houses are built, and a customer moves in and is ready for sewer service. Therefore, a lag of time may exist between the payment of the tap fee by a home builder for a lot and the beginning of sewer service to a new customer on the lot after the house is built.

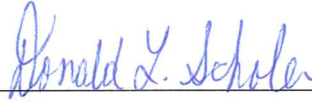
9. The Company calculations for CIAC shows four tap fee additions for 2008. Where are the other tap fee amount(s) recorded?

RESPONSE: There were five tap fee additions in 2008. See Response to Request No. 8.

10. Please provide a revenue breakdown by **month** by type of revenue (i.e. residential and non-residential monthly usage revenues, tap fees, connection fees, inspection fees, late fees).

RESPONSE: See Schedule R-1 to the pre-filed testimony of James B. Ford, and the Company's Response to Staff Requests No. 5 and 7.

Respectfully submitted,



DONALD L. SCHOLES BPR #10102
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue North, Fourth Floor
Nashville, TN 37219
615-254-8801

Attorney for Lynwood Utility Corporation

Dated: July 17, 2009.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Response was served via U.S. Mail and electronic mail upon:

Ryan L. McGehee
T. Jay Warner
Associate Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207

This the 17th day of July, 2009.



DONALD L. SCHOLES

**RESPONSE
TO
DISCOVERY
REQUEST
NO. 3**

	<u>SERVICE</u>	<u>2008</u>	<u>2007</u>	<u>ACCOUNT #s</u>
Tyler Ring	Management	\$32,000	\$26,500	105, 734
Visions, Inc.	Accounting & Financial	\$26,750	\$34,365	105, 186.6 & 7, 732, 667
Branstetter, Stranch & Jennings, PLLC	Legal	\$17,852	\$36,075	105, 186.6 & 7, 733, 667
Rory Rowan	Operations	\$7,200	\$47,200	734
Tennessee Contractors, Inc.	Maintenance	\$28,767	\$348,998	736
Mario Vasques	Maintenance	\$48,500	-----	736.1 & 105
Fernando Mayer	Maintenance	\$3,970	-----	736.1
Bobby Winfrey	Operations & Testing	-----	\$48,000	735, 734
Matt Curtis	Operations	-----	\$2,000	734
Ortale, Kelley, Herbert & Crawford	Legal	-----	\$1,980	733
Scott Fendley	Accounting	-----	\$7,200	732.3

**RESPONSE
TO
DISCOVERY
REQUEST
NO. 6**

LYNWOOD UTILITY CORPORATION PROPERTY DETAIL ANALYSIS

Schedule B-1

A/C # (Life)	303/ (-)	304/ (20)	311/ (10)	331/ (20)	344/ (5)	320/ (20)	341/ (5)	TRA
	LAND	STRUCTURES & IMPROVEMENT	PUMP EQUIPMENT	COLLECTION SYSTEM	LAB EQUIPMENT	TREATMENT & DISPOSAL	TRANSPORT EQUIPMENT	TOTAL
2000 BALANCE	10,000.00	125,105.00	50,966.00	22,000.00	0.00	1,548,515.00	2,885.00	1,759,471.00
ADDITIONS				19,500.00				19,500.00
RETIREMENTS								0.00
2001 BALANCE	10,000.00	125,105.00	50,966.00	41,500.00	0.00	1,548,515.00	2,885.00	1,778,971.00
ADDITIONS			35,353.00	14,250.00		47,868.67		97,471.67
RETIREMENTS								0.00
2002 BALANCE	10,000.00	125,105.00	86,339.00	55,750.00	0.00	1,596,383.67	2,885.00	1,876,462.67
ADDITIONS			88,181.00	16,500.00		645,156.92		749,837.92
RETIREMENTS								0.00
2003 BALANCE	10,000.00	125,105.00	174,520.00	77,250.00	0.00	2,241,540.59	2,885.00	2,631,300.59
ADDITIONS				30,000.00		224,190.00	10,500.00	264,690.00
RETIREMENTS								0.00
2004 BALANCE	10,000.00	125,105.00	174,520.00	102,250.00	0.00	2,465,730.59	13,385.00	2,890,990.59
ADDITIONS			9,720.00	36,000.00		33,647.63		79,367.63
RETIREMENTS								0.00
2005 BALANCE	10,000.00	125,105.00	184,240.00	138,250.00	0.00	2,499,378.22	13,385.00	2,970,358.22
ADDITIONS		6,475.00	2,377.00	13,500.00		26,511.67		48,863.67
RETIREMENTS						-60,717.00		-60,717.00
2006 BALANCE	10,000.00	131,580.00	186,617.00	151,750.00	0.00	2,465,172.89	13,385.00	2,958,504.89
ADDITIONS			5,730.57	16,500.00		48,321.87		83,320.32
RETIREMENTS								
2007 BALANCE	10,000.00	131,580.00	192,347.57	168,250.00	12,767.88	2,513,494.76	13,385.00	3,041,825.21
ADDITIONS		24,000.00	8,453.26	22,839.43	2,540.00	22,683.20		80,515.89
RETIREMENTS								
2008 BALANCE	10,000.00	155,580.00	200,800.83	191,089.43	15,307.88	2,536,177.96	13,385.00	3,122,341.10

LWM/MAINTENANCE/JFL/WREVENUE/WORKSHEET/PROPERTYDETAILANALYSIS

[illegible]

LYNWOOD TAP PROCEDURES

1. Office manager receives inquiry phone call and gives out initial information.
2. Office Manager notifies General Manager of inquiry.
3. Office Manager begins process of adding new customer.
4. Management makes site visit to confirm location.
5. Management notifies E. Robert Alley and Associates (outside Engineer).
6. Asbuilt plans located and revised
7. Capacity study initiated.
8. Site visit with Builder/Owner to determine additional work.
9. Builder/Owner pays tap fee.
10. Water Department notified of new customer.
11. Engineered site inspection completed after connection to mainline.
12. Asbuilt drawing of individual service line completed.
13. Archiving of Asbuilt mapping.
14. Review of plans for completing
15. Communication on material type used and reviewed.

Many inquiries come through the office along with many site visits that ultimately never produce a tap fee or a customer. There are instances where four or five initial visits have been made over a several year period that finally produce a customer. Any offsite work brings additional engineered plans as well as State approval. A monumental amount of time can be put forth on such inquiries that produce very little results.

1/1/2007

101	Plant - Collection System	\$ 151,750.00	
3900	Retained Earnings		\$151,750.00

To record Collection Plant not capitalized for work done
by Company related to new taps 1998-2006

3900	Retained Earnings	\$22,252.00	
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108	Accumulated Depreciation - Collection Plant		\$22,252.00
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To record Depreciation Expense for 1998-2006 on
Collection Plant capitalized

SCHEDULE B-3

[illegible]

As part of the Lynwood property study which was performed in connection with the 2006 rate case, this study reviewed property additions (and the lack of in some cases), the proper amount of depreciation (as to classification and rate) contributions in aid of construction and the correct amortization thereof.

Some of the study was reviewed by the Consumer Advocate as to property additions, timing and what should have been capitalized and included in the settlement discussions in the 2006 rate case. The study relating to contributions in aid of construction and the proper amortization of the tap fees received was completed after the rate hearing.

The study balanced out the various accounts, the correct depreciation and amortization, including detail listing of tap fees in the correct year, the correct amortization by year and the amount of the collection system which should have been capitalized each year.