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July 31, 2009

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

*Via E-mail and Hand Delivery*

field electronically in docket office on 07/31/09

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 Rebuttal Testimony of James B. Ford, Financial Consultant to Lynwood Utility Corporation in this docket including a CD with the Testimony and this cover letter on it.

This Rebuttal Testimony 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 Testimony stamp filed to me.

Thank you for your assistance.

Sincerely yours,



DONALD L. SCHOLES

c: Ryan McGehee  
Tyler Ring  
Jim Ford

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**Nashville, Tennessee**

**IN RE: PETITION OF LYNWOOD UTILITY )  
CORPORATION TO CHANGE AND )  
INCREASE RATES AND CHARGES )**

**DOCKET NO. 09-00034**

**REBUTTAL TESTIMONY OF**

**JAMES B. FORD, FINANCIAL CONSULTANT  
TO LYNWOOD UTILITY CORPORATION**

Dated: July 31, 2009

1 Q. Have you reviewed the direct testimony of Consumer Advocate and Protection Division  
2 (CAPD) witness Dave Peters filed in this case?

3 A. Yes. Mr. Peters states on page 2, line 27 of his testimony that he based his testimony on  
4 Lynwood's financial record keeping and its preparation of the financial statements in this docket.  
5 Mr. Peters appears to have adopted a rather Machiavellian method of ratemaking in which "the  
6 end justifies the means." The recommendations in Mr. Peters' testimony contain certain factual  
7 errors and methodology errors which are not consistent with Lynwood's financial records and  
8 statements. Certain recommendations in Mr. Peters' testimony are based on opinions which are  
9 contrary to accepted ratemaking accounting for regulated utilities, which are inconsistent with  
10 the Authority's treatment of Lynwood in prior rate cases and which are unsupported by any  
11 documentation.

12 Q. Please describe the errors, problems and inconsistencies you see in Mr. Peters'  
13 recommendations.

14 A. I will start with Mr. Peters' recommendations on Lynwood's operating and maintenance  
15 expenses beginning with the Company's purchased power expense for the attrition year ending  
16 December 31, 2009. Mr. Peters' reduced the Company's purchased power expense by \$10,446  
17 from \$62,794 to \$52,328. Mr. Peters' adjustment is not supported by the Company's actual  
18 purchased power expenses so far in 2009.

19 Q. Please explain.

20 A. The Company's purchased power expense for the first six months of 2008 was \$32,105.  
21 The Company's purchased power expense for the first six months of 2009 is \$36,830, an actual  
22 increase of \$4,725 for the first six months of 2009 representing 14.7% increase. Attached to my  
23 Rebuttal Testimony is Exhibit JBF-1 which sets forth the Company's purchased power expense

1 for 2009. As you can see the proposed reduction to purchased power expense recommended by  
2 Mr. Peters has not materialized during 2009. Based upon the Company's purchased power  
3 expense for the first six months of the attrition year, the Company's purchased power expense  
4 should be set at \$62,794 for the test period.

5 Q. Please address Mr. Peters' reduction in regulatory expenses for the test period.

6 A. Mr. Peters reduced regulatory expenses by \$6,000 based solely upon his opinion that his  
7 recommendation is a more realistic cost based upon the amount regulatory expenses should be in  
8 relation to the Company's total operating expenses. Mr. Peters cites no authority for his opinion.  
9 The Company projected regulatory expenses related to this docket to be \$36,000. The  
10 Company's projection is fair and reasonable. The Company's projected rate case expense for  
11 this docket is \$9,000 less than its rate case expense of approximately \$45,000 included in its last  
12 rate case Docket No. 07- 00007. The Company's rate case expense is determined by several  
13 factors other than its relationship to the Company's total operating expenses. The Company  
14 must bear the burden of substantiating its need for additional revenues which requires a full and  
15 adequate presentation of its case. Several factors can substantially increase the Company's rate  
16 case expense such as the number and complexity of discovery requests by the CAPD, the number  
17 and complexity of Authority Staff data requests, the number of status conferences, meetings with  
18 the CAPD to discuss settlement, whether a hearing is conducted on the rate case and the  
19 Authority's desire for post-hearing briefs or other information. Most of these factors are beyond  
20 the control of the Company. To reduce the Company's projected rate case expense which is  
21 \$9,000 less than the Company's last rate case is simply not justified. The Company's regulatory  
22 expenses should be set at \$33,524.

23 Q. What comprises the Company's regulatory expenses for the test period?

1 A. The Company's regulatory expenses are as follows:

2	Recovery of 2007 rate case over 3 years	\$15,000
3	Recovery of 2009 rate case over 3 years	\$12,000
4	Utility Inspection and Assessment Fees	\$4,153
5	Other TRA ongoing expenses	<u>\$2,371</u>
6		<u>\$33,524</u>

7 Q. Explain why you disagree with Mr. Peters' adjustment to the Company's sludge removal  
8 expense.

9 A. Mr. Peters recommended a reduction in the Company's sludge removal expense of  
10 \$3,147.00. Mr. Peters appears to have recommended this reduction based upon his  
11 misunderstanding that a portion of sludge removal expense included in the 2008 test year are  
12 being paid through the sewer surcharge approved in Docket 08-00060. The expenses being paid  
13 through the sewer surcharge in Docket 08-00060 were removed from the test period and charged  
14 to account 186.7 and were not considered as a test period expense in this case. The Company's  
15 response to TRA Staff Data Request No. 12, pages 12/1 and 12/2, supports the projected increase  
16 in sludge removal expense over actual 2008 for the test period but were not considered by Mr.  
17 Peters. Therefore, the Company's projected sludge removal expense of \$34,617 is appropriate.

18 Q. Do you disagree with the recommended adjustment made by Mr. Peters to the  
19 Company's depreciation and amortization expense for the test period?

20 A. Yes.

21 Q. Please explain why you disagree.

22 A. Mr. Peters reduction of \$13,842 resulted from his failure to include the amortization  
23 expense of the TDEC-R asset as set forth on Schedule E-6 of the Company's filing in the amount

1 of \$15,179. This amortization cost and its amortization over a five year period was accepted by  
2 agreement between the CAPD and Company in the Company's last rate case in Docket No. 07-  
3 00007. Therefore, the proper amount of depreciation and amortization expense for the test  
4 period, net of CIAC amortization, is \$121,569.

5 Q. How has Mr. Peters treated tap fees in his recommendations?

6 A. Mr. Peters treats the Company's tap fees as revenue. He further treats tap fees as a  
7 contribution in aid of construction reducing the utility plant balance thereby lowering the  
8 Company's rate base investment.

9 Q. Do you disagree with Mr. Peters' treatment of tap fees?

10 A. Yes. First, I must point out a factual error in Mr. Peters' testimony. The Company only  
11 received 5 tap fees in the 2008 test year not 13. Tap fees are paid by home builders who  
12 purchase a lot or who may purchase multiple lots in a subdivision at a time and request a  
13 commitment for sewer service upon the purchase of the lots. The home builder pays the tap fee  
14 or tap fees for multiple lots after the purchase of the lots to obtain the sewer service commitment  
15 before houses are built. A home builder may take from 6 to 48 months to build a house. When a  
16 homebuilder purchases multiple lots, it may build one or two at a time. Therefore, there is no  
17 direct correlation between changes in customer count and when tap fees are paid. A tap fee can  
18 be received long before a customer starts to receive sewer service. As of June 30, 2009, only one  
19 tap fee has been paid in 2009.

20 The Company's tap fees should not be treated as revenue. Under the National  
21 Association of Regulatory Utility Commission (NARUC) system of accounting, no provision is  
22 made for tap fees to be considered revenue. Tap fees are to be charged to account 271 -  
23 Contribution in Aid of Construction. See Exhibit JBF-2 attached to my Rebuttal Testimony.

1 The Authority has consistently required that the Company treat tap fees as contributions in aid of  
2 construction in past rate cases. Therefore, tap fees should not be added to the Company's  
3 revenue of \$548,268 for the attrition year. Moreover, tap fees received by the Company may  
4 vary significantly from year to year depending on the economy, the level of development activity  
5 within Lynwood's service area and the number of buildable lots within subdivisions in the  
6 Company's service area. Therefore, tap fee payments per year cannot be accurately projected.  
7 To set rates based upon a revenue source which can vary significantly from year to year would  
8 make it very difficult for the Company not to have revenues in excess of or less than the amount  
9 set in this rate case or future rate cases.

10 Q. Do you have additional comments related to Mr. Peters' treatment of tap fees as revenue?

11 A. Yes. As a CPA Mr. Peters is well aware that adding tap fees to revenue is a change in the  
12 accounting method whereby in prior years tap fees would have been credited to Contributions in  
13 Aid of Construction. The change in this method of accounting for tap fees will result in an  
14 increase to rate base of \$687,524 and a total increase in the revenue requirement by an additional  
15 \$97,384 as shown on JBF- 3 attached to my Rebuttal Testimony. The Company does not agree  
16 with this method of accounting and recommends that the Company continue to follow the  
17 NARUC system of accounting which results in the proper matching of revenue and expenses.

18 Q. Based upon your testimony what is the Company's net operating loss for the attrition  
19 year?

20 A. The Company's revenue should be set at \$548,268 and operating expenses should be set  
21 at \$634,992 resulting in a net operating loss of \$86,724.

22 Q. Did you review Mr. Peters' testimony and exhibits on the Company's rate base?

23 A. Yes.

1 Q. Are there any factual errors in his rate base calculation?

2 A. Yes. Accumulated depreciation is overstated by \$76,496. Mr. Peters added the deleted  
3 depreciation amount of \$38,248 for collection system depreciation to the accumulated  
4 depreciation balance instead of subtracting this amount which overstates accumulated  
5 depreciation by \$76,496.

6 Q. Why are there differences in the rate base balances recommended by Mr. Peters as  
7 compared to the Company's actual balances as recorded in Lynwood's books and records?

8 A. In developing the Company's rate base, Mr. Peters simply went back to the ending Utility  
9 Plant in Service account in the last rate case, Docket No. 07-00007, and brought the balances  
10 forward. As a part of the last rate case, a detailed property study was undertaken related to plant  
11 records, depreciation calculations and Contributions in Aid of Construction to arrive at an  
12 accurate Utility Plant in Service amount. The portion of the property study related to the  
13 Contributions in Aid of Construction, the amortization thereof and the Company's related  
14 Collection System Plant were completed after the settlement of the last rate case. This detailed  
15 property study is attached as Exhibit JBF- 4 to my Rebuttal Testimony. A detail accounting of  
16 all tap fees received was performed in this study by the year it was received, and the correct  
17 calculation of the amortization expense by year was computed and is summarized on Exhibit  
18 JBF- 5 attached to my Rebuttal Testimony.

19 Q. Do you have comments related to Mr. Peters' adjustment to the Plant Collection Systems  
20 amount?

21 A. The property study revealed that no cost had been captured for the Company's internal  
22 cost of adding a tap to its collection system. I have attached Exhibit JBF – 6 which describes the  
23 work done by the Company related to taps. I recommended the Company capitalize \$500 per tap

1 based on the time incurred by Company personnel to bring a tap for service on line in the  
2 collection system. Exhibit JBF-7 lists tap fees by year and the average internal labor rate of  
3 \$37.50 per hour and the hours used to support the \$500 capitalization rate. These amounts were  
4 determined by year and the proper amounts of depreciation were calculated for each year. The  
5 amounts related to the study were recorded in Lynwood's books through January 1, 2007 of  
6 \$151,750 and accumulated depreciation of \$22,252. From January 1, 2007 to the end of the test  
7 period (December 31, 2008) construction order procedures have been followed resulting in  
8 additions to the collection system balance of \$39,339 since January 1, 2007.

9 Q. What amount should be used as the Utility Plant in Service for the rate base  
10 determination?

11 A. The correct amount for Utility Plant in Service should be \$3,122,341. Mr. Peters'  
12 adjustments to rate base for the plant collection system of \$191,089, for accumulated  
13 depreciation of \$38,248 and for Contributions in Aid of Construction of \$301,578 should be  
14 rejected for lack of substance and documentation when compared to Company's detailed study  
15 documentation, the amount used and appropriate regulatory accounting procedures.

16 Q. Do you disagree with Mr. Peters adjustment to working capital?

17 A. Yes. The Company's method of calculating working capital is based upon a lead/lag  
18 time study between when cash is expended and cash is received and amounts to \$52,570.  
19 Because the lead/lag study is based on actual time, the Company's working capital requirement  
20 should be considered the proper amount. See Exhibit JBF- 8 for the lead/lag time study  
21 calculation which is attached to my Rebuttal Testimony.

22 Mr. Peters arrives at his cash working capital reduction of \$12,729 by taking 1/12 of total  
23 operating expenses, less depreciation, to arrive at \$39,845. Even if his method is used, Mr.

1 Peters' working capital amount should be \$47,662. On Mr. Peters' Schedule 2, the operating  
2 expenses total of \$599,166 less depreciation of \$107,727 results in a balance of \$491,439 which  
3 divided by 12 equals \$40,953 not \$39,845. Further, Mr. Peters does not consider the 2008 plant  
4 additions of \$80,515 which is funded by depreciation. If you take 1/12 of the 2008 plant  
5 additions of \$6,709 and add it to the above corrected amount of Mr. Peters, the correct amount  
6 for cash working capital would be \$47,662 using his method. The Company urges the Authority  
7 to accept its working capital amount of \$52,570 based upon the actual lead/lag time required to  
8 fund the Company's operations.

9 Q. What are the proper amounts of the other rate base items?

10 A. The correct amount for accumulated depreciation should be \$1,602,052. The correct  
11 amount for deferred debits and deposits should be \$143,618 which Mr. Peters accepted. The  
12 correct credit amount used for Contributions in Aid of Construction should be \$687,524.

13 Q. What is the proper rate base for the Company for ratemaking purposes in this case?

14 A. The Company's rate base is \$1,028,953.

15 Q. Did you review Mr. Peters testimony related to odor control starting with line 32 on page  
16 5 and ending on line 16 on page 6?

17 A. Yes. I was very involved in the preparation of the accounting for the odor control  
18 deferred cost in Docket No. 08-00060, and there were no "extraneous" costs included in the  
19 deferred cost. In reaching the Settlement Agreement with the CAPD approved by the Authority,  
20 an agreement was reached to recover a lesser amount in the odor control tracker in order to reach  
21 the agreement. The Settlement Agreement in Docket No. 08-00060 does not contain extra  
22 compensation for Tyler Ring. Mr. Ring's annual compensation for 2008 was set by the owners  
23 at \$33,000 for 60 hours per month. In 2008 Mr. Ring's time sheets reflect 1,146 hours worked

1 for Lynwood. This amount is 366 hours over his approved amount, and no additional  
2 compensation was paid. In addition, Mr. Ring is on call 24/7 for any type of plant operational  
3 emergency and must respond to such emergencies.

4 Q. Please explain how you arrived at the Company's cost of capital of 8%.

5 A. The Company's cost of capital is comprised its of interest cost on debt plus the cost to  
6 place the debt which includes legal, accounting, appraisals, title searches, insurance and bank  
7 fees etc. Since 2000, the Authority has set Lynwood's cost of capital at 8% to cover the cost of  
8 debt placement along with interest cost. Mr. Peters' recommendation does not consider this debt  
9 placement cost. In the past the two rate cases, the CAPD has agreed with the wisdom of the  
10 Authority in setting an 8% return on rate base. Nothing has changed since 2000. The rate of  
11 return should remain at 8%.

12 Q. Please explain why the Company's requested rate relief \$185,440 is necessary for the  
13 successful operation of the Company and the provision of adequate sewer service to its  
14 customers.

15 A. Lynwood's debt is held by banks which require a personal guarantee of the Company's  
16 owners and a security interest in the Company's treatment plant and collection system. From  
17 2005 through 2008, Lynwood has incurred losses totaling \$831,113, as set out in TRA annual  
18 reports, while improving customer service, improving odor control, meeting more stringent  
19 environmental requirements of TDEC and higher operating costs. The Authority must grant rate  
20 relief which reflect the needs required to operate the Company while maintaining the plant  
21 facilities and providing adequate customer service along with protecting the environment.  
22 Therefore, the rate increase requested of \$185,440 should be granted in order to achieve these  
23 goals.

1 Q. On page 8 of his testimony, Mr. Peters suggests the CAPD may recommend a new  
2 proposal for a rate design. What are your thoughts on any proposal for a change in rate design?

3 A. In the event the Authority believes a change in rate design is appropriate for the  
4 Company, the Company would propose a new rate design which takes into account the monthly  
5 volume changes which have a negative effect on the Company's cash flow and adversely affect  
6 its ability to fund ongoing capital additions without increasing debt. The Company continues to  
7 experience a decrease in volumes as its customers which use water for irrigation install irrigation  
8 meters to measure water used for irrigation on which no sewer revenue is collected which has  
9 decreased the Company's cash flow. Any rate design change must not adversely affect the  
10 Company's ability to fund ongoing capital additions since increasing debt for this purpose would  
11 be very difficult to do at this time.

12 Q. What type of rate design would the Company propose to address these factors?

13 A. I would suggest setting a facilities charge per month of \$40 for residential customers and  
14 \$200 for non-residential customers. A smaller volumetric charge would be applied of \$4.20 per  
15 1,000 gallons for residential customers. Such a rate design would promote conservation and  
16 level the Company's cash flow requirement at the same time. See Exhibit JBF- 9 for a potential  
17 calculation of rates attached to my Rebuttal Testimony.

18 Q. Do you think it is appropriate to compare Lynwood's rates for sewer service to  
19 neighboring wastewater systems owned and operated by municipalities and utility districts as  
20 suggested by Mr. Peters?

21 A. No.

22 Q. Why not?

1 A. A comparison of Lynwood to neighboring municipal sewer systems and utility district  
2 sewer systems is comparing apples to oranges.

3 (a) Municipal sewer systems and utility district sewer systems are not required to  
4 pay: (1) Property taxes

5 (2) Tennessee franchise and excise taxes

6 (3) Regulatory expenses

7 (b) Municipal sewer systems and utility district sewer systems have a lower cost of  
8 capital because they can issue tax-exempt debt.

9 (c) Municipal sewer systems and utility district sewer systems have limited tort  
10 liability.

11 (d) Municipal sewer systems and utility district sewer systems do not have a delay in  
12 rate relief of six to nine months.

13 Q. Does this conclude your Rebuttal Testimony?

14 A. Yes it does.

1 PM  
4/09  
rual Basis

Lynwood Utility Corporation  
Transaction Detail By Account  
January 1 through July 14, 2009

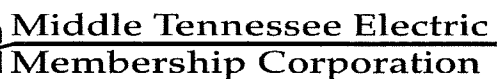
Type	Date	Num	Name	Memo	Class	Cir	Split	Amount	Balance
715 · Purchased Power									
715.1 · Electricity for Plant									
Check	2/3/2009	1556	Middle Tennessee ...	Electricity for ...	Electric		Tennessee Co...	7,071.00	7,071.00
Check	2/26/2009	1582	Middle Tennessee ...	LW Sewer P...			Tennessee Co...	5,672.00	12,743.00
Check	3/31/2009	1635	Middle Tennessee ...	Sewer Plant ...			Tennessee Co...	5,260.00	18,003.00
Check	4/30/2009	1690	Middle Tennessee ...	Sewer Plant/...			Tennessee Co...	5,270.00	23,273.00
Check	6/5/2009	1747	Middle Tennessee ...	Pump Station...			Tennessee Co...	4,584.00	27,857.00
Check	7/2/2009	1804	Middle Tennessee ...	Elect for Sew...			Tennessee Co...	4,803.00	32,660.00
Total 715.1 · Electricity for Plant								32,660.00	32,660.00
715.2 · Electricity for Pump Stations									
Check	1/16/2009	1531	Middle Tennessee ...	Riverlanding ...	Electric		Tennessee Co...	266.00	266.00
Check	1/16/2009	1532	Middle Tennessee ...	MOP to Sew...	Electric		Tennessee Co...	269.00	535.00
Check	1/23/2009	1545	Middle Tennessee ...	Pump Station...	Electric		Tennessee Co...	97.55	632.55
Check	2/16/2009	1567	Middle Tennessee ...	MOP to Sew...	Electric		Tennessee Co...	266.00	898.55
Check	2/16/2009	1567	Middle Tennessee ...	RL Pump Sta...	Electric		Tennessee Co...	261.00	1,159.55
Check	2/26/2009	1581	Middle Tennessee ...	Pump Sta/H...	Electric		Tennessee Co...	87.00	1,246.55
Check	3/20/2009	1622	Middle Tennessee ...	Elect for RL ...			Tennessee Co...	263.00	1,509.55
Check	3/20/2009	1623	Middle Tennessee ...	MOP to Sew...			Tennessee Co...	266.00	1,775.55
Check	3/31/2009	1634	Middle Tennessee ...	Pump Sta/H...			Tennessee Co...	69.00	1,844.55
Check	4/21/2009	1668	Middle Tennessee ...	RL Pump Sta...			Tennessee Co...	259.00	2,103.55
Check	4/21/2009	1670	Middle Tennessee ...	Sewer Pump ...			Tennessee Co...	261.00	2,364.55
Check	4/30/2009	1691	Middle Tennessee ...	Pump Station...			Tennessee Co...	68.00	2,432.55
Check	5/22/2009	1728	Middle Tennessee ...	Pump Station...			Tennessee Co...	259.00	2,693.55
Check	5/22/2009	1729	Middle Tennessee ...	Pump Station...			Tennessee Co...	259.00	2,952.55
Check	6/5/2009	1746	Middle Tennessee ...	Pump Station...			Tennessee Co...	84.00	3,036.55
Check	6/8/2009	1756	Middle Tennessee ...	Electric for R...			Tennessee Co...	273.58	3,310.13
Check	6/8/2009	1757	Middle Tennessee ...	Elect for MO...			Tennessee Co...	274.60	3,584.73
Check	6/19/2009	1779	Middle Tennessee ...	Pump Sta/H...			Tennessee Co...	71.06	3,655.79
Total 715.2 · Electricity for Pump Stations								3,655.79	3,655.79
Total 715 · Purchased Power								36,315.79	36,315.79
TOTAL								36,315.79	36,315.79

Not yet Paid

258.00  
256.00  
36,829.79

EXHIBIT

JBF - 1



**Member Service 1-877-777-9020**  
**Auto Pay System 1-877-777-0215**  
**Outage 1-877-777-9111**

**Office Hours:** 8:00 a.m. - 4:30 p.m.  
Monday through Friday  
**Internet:** [www.mtemc.com](http://www.mtemc.com)

ACCOUNT NUMBER	2000 1491 3921
BILLING PERIOD	05/29/09-06/26/09 for 29 days
INVOICE DATE	07/06/09
PHONE NUMBER	615-661-6055
SERVICE ADDRESS	LYNNWOOD UTILITIES 1531 River Landing Dr Franklin TN 37069

### Message to member...

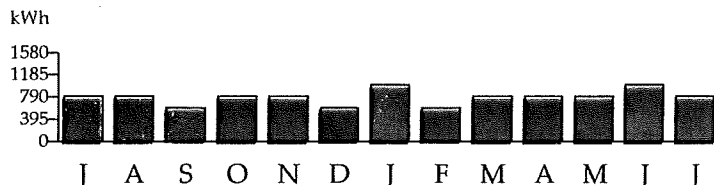
Please review your phone number listed at the upper left. If it is incorrect or if there is no phone number listed, please call Customer Service immediately at 1-877-777-9020.

011812

### ACCOUNT SUMMARY -

Previous Balance	\$273.58
Payment Received (06/10/09 THANK YOU)	\$-273.58
<b>Balance Forward</b>	<b>\$0.00</b>
Current Charges	\$256.00
Adjustments	\$0.00
Miscellaneous Charges	\$0.00
<b>Total Due</b>	<b>\$256.00</b>

Power usage in kilowatt hours over the last 13 months



## BREAKDOWN OF CURRENT CHARGES

**Rate:** GSA2-50-General Service - 50-1000 kW

**Description:** RIVERLANDING PUMP STA

**Meter Number:** 176257

**Prior Reading: 418 Present Reading: 422 Multiplier 200**

**KwH usage:** 800 -Actual; Last Year 800; Last Month 1000

KW Usage 5.400

Customer Charge	\$45.33
Demand Charge	\$189.45
TVA Fuel Cost Adjustment	\$4.34
Tax	\$16.74
Operation Round Up	\$0.14
<b>Current charges for billing period</b>	<b>\$256.00</b>

SEE ACCOUNT SUMMARY FOR TOTAL DUE

1189MAR0609252008

702000929841

↑ DETACH AND RETURN WITH YOUR CHECK PAYABLE TO "MIDDLE TENNESSEE ELECTRIC MEMBERSHIP CORPORATION" ↓ 702000929841

702000929841

MEMBERSHIP NUMBER	1000 0587 54	ACCOUNT NUMBER	2000 1491 3921
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<b>AFTER DUE DATE, PAY:</b>	<b>\$268.56</b>
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**BY REGULATION, PAYMENT RECEIVED 10 DAYS LATER THAN DUE DATE  
SUBJECTS MEMBER TO POSSIBLE DISCONNECTION AND ADDITIONAL FEES**



AUTO\*\*SCH 5-DIGIT 37067 3894 T12:12  
LYNNWOOD UTILITIES  
321 BILLINGSLY CT STE 4  
FRANKLIN TN 37067-6445

MIDDLE TENNESSEE ELECTRIC  
PO BOX 681709  
FRANKLIN TN 37068-1709

<b>DUE DATE:</b>	<b>07/23/09</b>	<b>TOTAL DUE:</b>	<b>\$258.00</b>
<b>ACCOUNT NUMBER</b> 2000 1491 4931 <b>BILLING PERIOD</b> 05/29/09-06/26/09 for 29 days <b>INVOICE DATE</b> 07/06/09 <b>PHONE NUMBER</b> 615-661-6055 <b>SERVICE ADDRESS</b> LYNNWOOD UTILITIES 1434 Mentelle Dr Franklin TN 37069-1402		<b>Message to member...</b> Please review your phone number listed at the upper left. If it is incorrect or if there is no phone number listed, please call Customer Service immediately at 1-877-777-9020.	
<b>ACCOUNT SUMMARY</b> ----- Previous Balance \$274.60 Payment Received (06/10/09 THANK YOU) \$-274.60 <b>Balance Forward</b> \$0.00 Current Charges \$258.00 Adjustments \$0.00 Miscellaneous Charges \$0.00 <b>Total Due</b> \$258.00		<b>Power usage in kilowatt hours over the last 13 months</b> 	

### BREAKDOWN OF CURRENT CHARGES

Rate: GSA2-50-General Service - 50-1000 kW  
 Description: MOP TO SEWER PUMP II  
 Meter Number: 176244  
 Prior Reading: 326 Present Reading: 331 Multiplier 200  
 Kwh usage: 1000 -Actual; Last Year 800; Last Month 1200  
 KW Usage 7.000

Customer Charge	\$45.33
Demand Charge	\$189.45
TVA Fuel Cost Adjustment	\$5.43
Tax	\$16.81
Operation Round Up	\$0.98
<b>Current charges for billing period</b>	<b>\$258.00</b>

SEE ACCOUNT SUMMARY FOR TOTAL DUE

1189MAR0609252008

702000929842

↑ DETACH AND RETURN WITH YOUR CHECK PAYABLE TO "MIDDLE TENNESSEE ELECTRIC MEMBERSHIP CORPORATION" ↓ 702000929842

<b>MEMBERSHIP NUMBER</b> 1000 0587 54	<b>ACCOUNT NUMBER</b> 2000 1491 4931
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<b>DUE DATE:</b>	<b>07/23/09</b>	<b>TOTAL DUE:</b>	<b>\$258.00</b>
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<b>AFTER DUE DATE, PAY:</b>	<b>\$270.57</b>
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**BY REGULATION, PAYMENT RECEIVED 10 DAYS LATER THAN DUE DATE  
SUBJECTS MEMBER TO POSSIBLE DISCONNECTION AND ADDITIONAL FEES**



1189MAR0609252008  
 AUTO\*\*SCH 5-DIGIT 37067 3895 T12:12  
 LYNNWOOD UTILITIES  
 321 BILLINGSLEY CT STE 4  
 FRANKLIN TN 37067-6445

MIDDLE TENNESSEE ELECTRIC  
 PO BOX 681709  
 FRANKLIN TN 37068-1709

Lynwood Utility Corporation  
Transaction Detail By Account  
January through August 2008

Type	Date	Num	Name	Memo	Class	Cir	Split	Amount	Balance
715 . Purchased Power									
715.1 . Electricity for Plant									
Check	3/31/2008	1121	Middle Tennessee ...	Electric for L...			Tennessee Co...	4,328.00	4,328.00
Check	5/2/2008	1163	Middle Tennessee ...	MD TN Electr...			Tennessee Co...	4,961.00	9,289.00
General Journal	7/13/2008	0713...		Electricity for ...			-SPLIT-	4,950.00	14,239.00
General Journal	7/14/2008	0714...		Electricity for ...			715.2 . Electr...	4,636.00	18,875.00
General Journal	7/15/2008	0715...		Electricity for ...			-SPLIT-	4,698.00	23,573.00
General Journal	8/11/2008	0811...		To Correct P...			-SPLIT-	4,420.00	27,993.00
Total 715.1 . Electricity for Plant								27,993.00	27,993.00
715.2 . Electricity for Pump Stations									
Check	1/15/2008	1022	Middle Tennessee ...	MOP to Pum...			Tennessee Co...	226.00	226.00
Check	1/15/2008	1022	Middle Tennessee ...	RL Pump Sta...			Tennessee Co...	225.00	451.00
Check	1/28/2008	1038	Middle Tennessee ...	Sewer Pump ...			Tennessee Co...	4,636.00	5,087.00
Check	1/28/2008	1039	Middle Tennessee ...	Sewer Pump ...			Tennessee Co...	55.00	5,142.00
Check	3/31/2008	1124	Middle Tennessee ...	Electric for P...			Tennessee Co...	50.00	5,192.00
Check	4/10/2008	1140	Middle Tennessee ...	Pump Station...			Tennessee Co...	251.00	5,443.00
Check	4/10/2008	1140	Middle Tennessee ...	Pump Station...			Tennessee Co...	252.00	5,695.00
General Journal	7/13/2008	0713...		Electricity for ...			715.1 . Electr...	901.00	6,596.00
General Journal	7/14/2008	0714...		Electricity for ...			715.1 . Electr...	-4,636.00	1,960.00
General Journal	7/15/2008	0715...		Electricity for ...			715.1 . Electr...	1,009.00	2,969.00
General Journal	8/11/2008	0811...		Electricity for ...			715.1 . Electr...	576.00	3,545.00
Check	8/22/2008	1305	Middle Tennessee ...	Meter#17625...			Tennessee Co...	252.00	3,797.00
Check	8/22/2008	1305	Middle Tennessee ...	Meter#17624...			Tennessee Co...	252.00	4,049.00
Check	8/28/2008	1312	Middle Tennessee ...	Meter#13425...			Tennessee Co...	63.00	4,112.00
Total 715.2 . Electricity for Pump Stations								4,112.00	4,112.00
Total 715 . Purchased Power								32,105.00	32,105.00
TOTAL								32,105.00	32,105.00

## BALANCE SHEET ACCOUNTS

265. Miscellaneous Operating Reserves

A. This account shall include all operating reserves maintained by the utility which are not provided for elsewhere.

B. This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and amounts of the debits and credits thereto.

Note:--This account includes only such reserves as may be created for operating purposes and does not include any reservations of income the credits for which should be carried in account 214 - Appropriated Retained Earnings.

## Contributions in Aid of Construction

271. Contributions in Aid of Construction

A. This account shall include:

1. Any amount or item of money, services or property received by a utility, from any person or governmental agency, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility, and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred from account 252 - Advances for Construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts in accordance with the Commission's rules and regulations.

3. Compensation received from governmental agencies and others for relocation of water mains or other plants.

4) Any amount of money received by a utility, any portion of which is provided at no cost to the utility, which represents an addition or transfer to the capital of the utility and which is utilized to offset the federal, state or local income tax effect of taxable contributions in aid of construction, taxable amounts transferred from Account 252 - Advances for Construction, and taxable compensation received from governmental agencies and others for relocation of water mains or other plants shall be reflected in a sub-account of this account.

B. The credits to this account shall not be transferred to any other account without the approval of the Commission.

Pro-FORMA operating Revenue		
At current rates		(85,878)
Add-Tap Fees		17,500
Deduct – Amortization Credit		<u>(50,824)</u>
Revised Operating Revenue		(119,202)
Rate Base	1,028,953	
Add Back CAIC Bal	<u>687,524</u>	
	1,716,477	
Rate of Return	<u>x 8%</u>	= \$137,319
Expansion Factor	256,521	
Required Revenue Income	<u>.907</u>	
Per Case Filed	282,824	
Income due to Staff	185,440	
Method	<u>\$97,384</u>	

LYNWOOD UTILITY CORPORATION COLLECTION SYSTEM ADDITIONS													
YEAR	TAPS	CAPITALIZED	DEPRECIATION	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1998	2	1000.00	400.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
1999	22	11000.00	3850.00		550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00	550.00
2000	20	10000.00	3000.00			500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
2001	39	19500.00	4875.00				975.00	975.00	975.00	975.00	975.00	975.00	975.00
2002	19	14250.00	2852.00					713.00	713.00	713.00	713.00	713.00	713.00
2003	22	16500.00	2475.00						825.00	825.00	825.00	825.00	825.00
2004	40	30000.00	3000.00							1500.00	1500.00	1500.00	1500.00
2005	48	36000.00	1800.00								1800.00	1800.00	1800.00
2006	18	13500.00	7588.00									675.00	675.00
2007	22	16500.00	8413.00										825.00
2008	5	22839.43											
BAL	12/31/2008	191089.43	38253.00	50.00	600.00	1100.00	2075.00	2788.00	3613.00	5113.00	6913.00	7588.00	8413.00
NOTE - No depreciation taken in year of addition													
LWMMAINTENANCEJFLWREVENUEWORKSHEET LW COLLECTION SYSTEM ADD													



[illegible]

[illegible]

LYNNWOOD UTILITY TAP AND INSPECTION FEES 2007							TAP	
DATE	BUILDER	ADDRESS	SUBDIVISION	LOT NUMBER			FEE	
1/2/2007	Eckhart & Butera Holdings LLC		Legends Ridge	Lot 903			2,750.00	
1/24/2007	Old South	Lake Valley Drive	Legends Ridge				2,750.00	
3/13/2007	K & R Builders	676 Legends Crest	Legends Ridge	Lot 605			2,750.00	
4/4/2007	Performance Builders	909 Sunset Ridge	Legends Ridge	Lot 103			2,750.00	
5/10/2007	Dalamar Homes		River Landing	Lot 703			2,750.00	
6/5/2007	Adams, Booth, Zimmermand		Legends Ridge	Lot 602			2,750.00	
6/5/2007	David Romagna		Legends Ridge	Lot 604			2,750.00	
6/5/2007	Mark Ervin		Legends Ridge	Lot 104			2,750.00	
8/1/2007	Walsh Custom Homes	509 Legends Ridge Court	Legends Ridge	Lot 921			2,750.00	
8/9/2007	Deer Creek Construction Inc.	413 Legends Park Cr.	Legends Ridge	Lot 915			2,750.00	
8/13/2007	Legend Homes	1016 Sundown Cr	Legends Ridge	Lot 110			2,750.00	
8/13/2007	Legend Homes	1020 Sundown Cr	Legends Ridge	Lot 111			2,750.00	
8/20/2007	Cindy Solomon	2105 Hartland Rd	Farmington	Lot 210			2,750.00	
8/23/2007	David Meriwether	2107 Hartland Rd	Farmington	Lot 2107			2,750.00	
8/28/2007	John & Kathleen Shaw	2127 Hartland Rd	Farmington	Lot 2137			2,750.00	
9/7/2007	Performance Builders	909 Sunset Ridge Dr	Legends Ridge	Lot 103			2,750.00	
9/7/2007	Performance Builders	632 Legends Crest Dr	Legends Ridge	Lot 807			2,750.00	
9/10/2007	Richard & Brenda Wagers	3120 Braintree Rd	Farmington	Lot 3120			2,750.00	
9/20/2007	David Romaga		Legends Ridge	Lot 606			3,500.00	

[illegible]

**LYNWOOD UTILITY TAP AND INSPECTION FEES 2006**

DATE	BUILDER	ADDRESS	SUBDIVISION	LOT NUMBER	TAP FEE	
3/22/2006	Beazer Homes		River Landing	Lot 314	2,750.00	
12/20/2006	Eckhart & Butera Holdings LLC		Legends Ridge	LR Lot 903	2,750.00	
5/28/2006	Charles Collins	2111 Hartland Road	Farmington		2,750.00	
3/10/2006	Deer Creek		Legends Ridge	Lot 916	2,750.00	
11/13/2006	John Chester Const		Legends Ridge	Lot 706	2,750.00	
10/2/2006	James Parker		Legends Ridge	Lot 704	2,750.00	
2/24/2006	T Scott Evatt	221 Chapelwood	Chapelwood	Lot 203	2,750.00	
6/20/2006	Deer Creek		Legends Ridge	Lot 803	2,750.00	
6/12/2006	Felker Homes		Legends Ridge	Lot 911	2,750.00	
6/10/2006	Nashville Const	224 Chapelwood	Chapelwood	Lot 205	2,750.00	
6/7/2006	Achten Richter Const		Legends Ridge	Lot 923	2,750.00	
5/3/2006	Trace Const		Legends Ridge	Lot 113	2,750.00	
4/4/2006	920 Legends Ridge		Legends Ridge	Lot 920	2,750.00	
3/7/2006	Beazer Homes		River Landing	Lot 1208	2,750.00	
3/7/2006	Beazer Homes		River Landing	Lot 1105	2,750.00	
3/7/2006	Beazer Homes		River Landing	Lot 1102	2,750.00	
3/2/2006	John Chester	Matt & Laura Benjamin	Legends Ridge	Lot 609	2,750.00	
1/26/2006	Beazer Homes		River Landing	Lot 1201	2,750.00	
					49,500.00	



LYNWOOD UTILITY TAP AND INSPECTION FEES 2005							TAP FEE	
	BUILDER	ADDRESS	SUBDIVISION	LOT NUMBER				
4/28/2005	Beazer Homes						2750.00	
4/28/2005	Beazer Homes						2750.00	
3/23/2005	Way		Legends Ridge	Lot 909			2750.00	
3/23/2005	Kurt Conner & Sons Const		Legends Ridge	Lot 910			2750.00	
3/23/2005	Kurt Conner & Sons Const	Darrin Way	Legends Ridge	Lot 907			2750.00	
3/3/2005	Beazer Homes		River Landing	Lot 1103			2750.00	
3/3/2005	Beazer Homes		River Landing	Lot 1119			2750.00	
3/3/2005	Beazer Homes		River Landing	Lot 1217			2750.00	
2/23/2005	Tenn Valley Homes		Legends Ridge	Lot 702			2750.00	
2/23/2005	Tenn Valley Homes		Legends Ridge	Lot 703			2750.00	
2/10/2005	Beazer Homes		River Landing	Lot 1117			2750.00	
2/1/2005	Deer Creek Homes		Legends Ridge	Lot 905			2750.00	
1/31/2005	Beazer Homes		River Landing	Lot 1113			2750.00	
1/7/2005	Beazer Homes		River Landing	Lot 1111			2750.00	
9/22/2005	Deer Creek		Legends Ridge	Lot 918			2750.00	
4/18/2005	ShowCase Homes		Legends Ridge	Lot 413			2750.00	
5/27/2005	Parker Homes		Legends Ridge	Lot 902			2750.00	
5/27/2005	Felker		Legends Ridge	Lot 109			2750.00	
9/23/2005	Marrero		Legends Ridge	Lot 908			2750.00	
1/3/2006								
9/27/2005	Deer Creek		Legends Ridge	Lot 918			2750.00	



LYNWOOD UTILITY TAP AND INSPECTION FEES 2004								
	BUILDER	ADDRESS	SUBDIVISION	LOT NUMBER			TAP FEE	
2/4/2004	Lisa Smith		Chapelwood	Lot 202			2750.00	
12/22/2004	Beazer Homes	299 Gillette Dr	River Landing	Lot 1108			2750.00	
12/1/2004	Beazer Homes		River Landing	Lot 1101			2750.00	
12/1/2004	Beazer Homes		River landing	Lot 1106			2750.00	
12/1/2004	Beazer Homes		River Landing	Lot 1112			2750.00	
10/25/2004	Smith		River Landing	Lot 518			2750.00	
10/14/2004	Sims		River Landing	Lot 517			2750.00	
10/14/2004	Kinsey		River Landing	Lot 202			2750.00	
10/7/2004	Beazer Homes		River Landing	Lot 1218			2750.00	
10/7/2004	Beazer Homes		River Landing	Lot 1109			2750.00	
10/6/2004	Deer Creek		River Landing	Lot 509			2750.00	
10/6/2004	Stiler		River Landing	Lot 404			2750.00	
5/20/2004	Buerger		Farmington	Lot 51			2750.00	
8/20/2004	Buerger		Farmington	Lot 52			2750.00	
8/19/2004	Barrett		River Landing	Lot 203			2750.00	
6/22/2004	Phillips Builders		River Landing	Lot 1210			2750.00	
6/22/2004	Phillips Builders		River Landing	Lot 1206			2750.00	
6/22/2004	Phillips Builders		River Landing	Lot 1006			2750.00	
5/4/2004	Phillips Builders		River Landing	Lot 1213			2750.00	
5/4/2004	Phillips Builders		River Landing	Lot 1204			2750.00	

LYNWOOD UTILITY TAP AND INSPECTION FEES 2004						TAP	
	BUILDER	ADDRESS	SUBDIVISION	LOT NUMBER		FEE	
4/2/2004	Phillips Builders		River Landing	Lot 1215		2750.00	
4/2/2004	Phillips Builders		River Landing	Lot 1211		2750.00	
4/2/2004	Phillips Builders		River landing	Lot 1209		2750.00	
3/11/2004	Robert Votteler		River Landing	Lot 1214		2750.00	
3/15/2004							
3/11/2004	Phillips Builders		River Landing	Lot 1205		2750.00	
2/25/2004	Dale Royse		River Landing	Lot 517		2750.00	
2/26/2004	Showcase Homes		River Landing	Lot 602		2750.00	
2/26/2004	Showcase Homes		River Landing	Lot 603		2750.00	
5/4/2004	Forrest Const'		River Landing	Lot 511		2750.00	
4/2/2004	Showcase Homes		River Landing	Lot 508		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	Lot 301		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	lot 304		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	Lot 306		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	Lot 314		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	Lot 317		2750.00	
10/6/2004	Sites & Harbeson	Drees	River Landing	Lot 320		2750.00	
	Unknown		River Landing	Lot 318		2750.00	
	Unknown		River Landing	Lot 319		2750.00	
	Unknown		River Landing	Lot 305		2750.00	
	Unknown		River Landing	Lot 302		2750.00	
						110000.00	
						109750.00	

Error Pos

109750.00

## DESCRIPTION OF LYNWOOD TAP PROCEDURES

1. Office manager receives inquiry phone call and gives out initial information.
2. Office manager notifies management 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. As built plans located and revised.
7. Capacity study initiated.
8. Site visit or visits with Builder/Owner to determine additional work.
9. Builder/Owner pays tap fee.
10. Water Department notified of new customer.
11. Engineering site inspection completed after connection to mainline.
12. As built drawing of individual service line obtained upon completion.
13. Archiving of as built mapping.
14. Review of plans for completing tap connection.
15. Communication on materials to be used and review of materials.
16. Inquiries to legal counsel on any easement issues or other legal issues.

Many inquiries for taps come through the office which may require multiple site visits that ultimately may never produce a tap fee or a customer. There are instances where four or five visits have been made over a several year period that finally produces a customer. Any offsite sewer line work necessary for a customer tap requires additional engineering plans as well as State approval and may raise legal issues. A substantial amount of time can be spent in responding and following up on such inquiries which may produce very little results.

**LYNWOOD UTILITY CORPORATION  
PROPERTY STUDY - COLLECTION SYSTEM ADDITIONS**

YEAR	UNITS	ICR	ADDITIONS
1998	2	500	1,000.00
1999	22	500	11,000.00
2000	20	500	10,000.00
2001	39	500	19,500.00
2002	19	500	14,250.00
2003	22	500	16,500.00
2004	40	500	30,000.00
2005	48	500	36,000.00
2006	18	500	13,500.00
2007	22	500	16,500.00

**Internal Cost Rate (\$37.50) x Internal Hours (20) = \$500**

**Internal Hours Based on Lynwood Tap Procedures Time Estimates.**

LYNWOOD UTILITY CORPORATION  
WORKING CAPITAL REQUIREMENT  
12/31/2008

EXHIBIT B-5

2008 REVENUE

\$	548,268
	<u>÷365 Days</u>
	1,502

AVERAGE TIME TO RECEIVE

(50 DAYS)

AVERAGE TIME TO PAY

15 DAYS

x35

WORKING CAPITAL REQUIREMENT

\$	<u>52,570</u>
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**LYNWOOD UTILITY CORPORATION  
RATE DESIGN CALCULATION**

Total Required Revenues \$733,708

3 Year Average Customer Count  
 $(791 + 811 + 829) \div 3 = 810 \times \$40 \times 12 = \$388,800$

Non Residential Customers  $2 \times \$200 \times 12 = 4,800$

\$393,600

Volumetric Revenue Required  $\$340,108$   
2008 Volume  $\div 81,000,000$  gallons

Residential Volumetric Rate per thousand gallons \$4.20

Non Residential Volumetric Rate per thousand gallons \$6.20