

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

IN RE:

**LYNWOOD UTILITY CORPORATION'S)
PETITION FOR ADJUSTMENT OF)
RATES)**

DOCKET NO. 09-00034

CONSUMER ADVOCATE'S RESPONSE TO QUESTIONS OF TRA STAFF

The Consumer Advocate and Protection Division of the Tennessee Attorney General and Reporter ("Consumer Advocate") herein provides written responses to questions posed by Staff of the Tennessee Regulatory Authority ("TRA", "Authority") during a status conference in this docket on July 1, 2009.

1. Without referencing the settlement agreement in Docket 07-0007, provide the reasoning for including or excluding from rate base the collection system which is identified as having a balance of one hundred and fifty thousand on December 21, 2006.

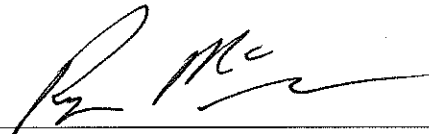
RESPONSE:

The Consumer Advocate submits this item should be excluded. In Lynwood's supplemental response to second discovery requests (No. 6) filed on July 28, 2009, the company provided 62 pages of back-up to support the collection systems account costs (\$151,750.00 and (\$22,252.00) of accumulated depreciation). The backup provided consists of various invoices, some handwritten notes, and various worksheets that are not verifiable. The costs incurred are primarily for a property study (none of the property costs are verifiable), legal fees, video inspection services, tree removal costs, and various other expenses. There are even expenses for hotels, gas station receipts, sporting goods invoices, etc. The Consumer Advocate submits that

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plant in service consists of tangible personal or real property held for or employed in the generation of income and having an economic life of more than one year. Out of the 62 pages of backup provided, not one single item qualifies as plant-in-service. For those items which have some documentation, they are clearly period expenses and should not be depreciated over 20 years, but expensed as incurred. Exhibit A shows the details of the Collection System as provided by Lynwood in supplemental responses. None of these items are plant-in-service assets. They are all period expenses. Furthermore, this accounting entry (the property study worksheet) appears to create phantom fixed assets in order to increase their rate base amount so that it is synchronized with the company's capital structure amount.

RESPECTFULLY SUBMITTED,



RYAN L. MCGEHEE (BPR# 25559)
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Associate Attorney General
Office of the Attorney General
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(615) 532-9299

CERTIFICATE OF SERVICE

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

Donald L. Scholes
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue North, Fourth Floor
Nashville, TN 37201-1631

This the ~~25th~~³¹ day of July, 2009.



RYAN L. MCGEHEE

Collection System Issues

Year	Source	Amount	Description
1998-2005	Property Study sheet from 7/28 response to 2nd discovery request	\$151,750.00	Internal cost rate (\$37.50) X internal hours (20) times units - Internal hours based on Lynwood Tap Procedures time estimates
2007	Journal Entry	\$16,500.00	LUC personnel - no documentation
2008	T Adair additions	\$2,990.00	Check # 1231 doesn't match G/L detail - subsequent response does not include an invoice
2008	Williamson Co. project	\$3,178.10	Check # 1252 doesn't match G/L detail - subsequent response does not include an invoice
2008	2008 customers added	\$4,000.00	Journal Entry with no documentation
2008	Sani-tech	\$3,962.25	Check # 1334 doesn't match G/L detail of \$1,981.25 - subsequent response does not include an invoice
2008	Alley & Assoc.	\$2,259.08	Check # 1402 doesn't match G/L detail of \$1,258.54 - subsequent response does not include an invoice
2008	Sani-tech	\$1,600.00	Check # 1415 doesn't match G/L detail of \$800.00 - subsequent response does not include an invoice
2008	Sani-tech	\$2,650.00	Check # 1449 doesn't match G/L detail of \$1,325.00 - subsequent response does not include an invoice
2008	BKJ&S	\$2,200.00	Check # 1404 doesn't match G/L detail of \$1,300.00 - subsequent response does not include an invoice - legal fees are normally expensed to account 733 per NARUC COA
Total 2008 Activity		\$22,839.43	
		\$191,089.43	We did not include collection systems in plant & service because the invoices don't match the G/L and there is no documentation to support the pre-2008 amounts

Office of the Attorney General - State of Tennessee
Consumer Advocate and Protection Division
TRA Docket 09-00034
Lynwood Utility Company