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September 18, 2009

Ms. Darlene Standley, Chief  
Utilities Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

filed electronically in docket office on 09/18/09

Docket No. 09-00056  
Petition of Cartwright Creek, LLC to Change and Increase Rates and Charges  
Rebuttal Testimony to Consumer Advocate's Mr. Dave Peters Testimony  
Attention: Sharla Dillon

Dear Ms. Standley,

Attached for filing is the Rebuttal Testimony of Cartwright Creek's Robert Cochrane to the Direct Testimony and Supplemental Testimony of CAPD's Mr. Dave Peters, filed on August 24 and August 31, 2009, respectively.

This Response and cover letter are being filed electronically by electronic mail today. An original and four copies of Cartwright Creek's Rebuttal Testimony are being transmitted overnight for Monday delivery.

Please contact me if you have any questions.

Sincerely,

Bruce E. Meyer  
Vice President – Operations  
Cartwright Creek, LLC

Cc: Mary Leigh White – Consumer Advocate (via email)  
Mr. Henry Walker - Attorney for Waterbridge (via email)



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

<b>IN RE:</b>	)	
	)	
<b>PETITION OF CARTWRIGHT CREEK, LLC</b>	)	<b>DOCKET NO. 09-00056</b>
<b>TO CHANGE AND INCREASE</b>	)	
<b>RATES AND CHARGES</b>	)	

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**REBUTTAL TESTIMONY  
OF  
ROBERT I. COCHRANE**

**VICE-PRESIDENT OF FINANCE, SHEAFFER INTERNATIONAL, LLC**

**AS MANAGER OF CARTWRIGHT CREEK, LLC**

\*\*\*\*\*

**Rebuttal Testimony of Robert I. Cochrane to the filing of Dave Peters, Regulatory Analysis, for the Consumer Advocate Division of the Attorney General's Office**

**Q. Would you state your name for the record, please?**

A. My name is Robert Ian Cochrane.

**Q. By whom are you employed, Mr. Cochrane, and what is your position?**

A. I am the Vice-President of Finance for Sheaffer International, L.L.C.

**Q. Please describe the duties you perform at Sheaffer International and your professional background**

A. My duties, educational background, and professional background are described in my Testimony provided in the original Petition in this Docket, which was submitted to the Tennessee Regulatory Authority (TRA) on April 23, 2009.

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to respond and comment on the Direct Testimony of Mr. Dave Peters of the Consumer Advocate and Protection Division (CAPD) on August 24, 2009. During this testimony, I will also further explain my previous testimony and exhibits presented by Cartwright Creek.

**Q. Do you agree with Mr. Peters' response to the question on line 2 of page 3 of his testimony, which asks, "Does Cartwright Creek possess these public utility characteristics?"**

A. Cartwright Creek concurs with the testimony that states that it is an investor-owned utility. As public utility, Cartwright Creek has the obligation to assure that it can meet the requirement to provide adequate service to all customers at rates that are just, reasonable, and non-discriminatory. The rate requested in this petition is necessary for the utility to continue to provide adequate service. The current rate structure does not provide sufficient resources to fund operating costs or assure an ability to provide resources necessary to maintain the facility in the long run or provide working capital.

1 **Q. Do you have any comments on Mr. Peters' response to the question on page 3 of his**  
2 **testimony, which reads, "From a regulated ratemaking perspective, what is the TRA called**  
3 **upon to do in this proceeding?"**  
4

5 A. Cartwright Creek is requesting that the TRA approve an increase in its current tariff that  
6 would provide sufficient operating revenue to cover direct operating expenses and to provide its  
7 investors with a just and reasonable return.  
8

9 Cartwright Creek concurs with the CAPD testimony that states that it is an investor-owned  
10 utility. However, Cartwright Creek disagrees with the assertion that Cartwright Creek has no  
11 rate base. The initial plant was funded by investor loans for which Cartwright Creek was never  
12 able to either generate sufficient cash flows to repay principal or interest. Mr. Peters is therefore  
13 correct in his statement that this case involves elements not found in most rate cases.  
14

15 Accordingly, Cartwright Creek agrees with the CAPD suggestion to allow a just and reasonable  
16 operating margin. On page 9 of his testimony, Mr. Peters states that "6.5% is a fair return".  
17 Note that Cartwright Creek, in its original Petition, provided a nominal rate of return of 2.2% on  
18 its rate base in order to temper the impact on its customers. However, Cartwright Creek believes  
19 that a 6.5% margin ultimately does not provide a sufficient return to Cartwright Creek's  
20 investors to provide a just risk- adjusted rate of return.  
21

22 **Q. Do you have any comments on Mr. Peters' reduction of Cartwright Creek's forecast of**  
23 **Purchased Power?**  
24

25 A. Yes. Mr. Peters' testimony described the decrease in the TVA's fuel cost adjustment and  
26 used it as a basis to eliminate Cartwright Creek's proposed increase from \$26,208 to \$29,929.  
27

28 To prepare Cartwright Creek's response to Mr. Peters' testimony, Cartwright Creek prepared a  
29 detailed summary of each component charge of its electric power bills from Middle Tennessee  
30 Electric Cooperative (MTEC) during 2008 and 2009. The preparation and review of this  
31 summary identified an oversight in the original petition's calculation of power costs. Please  
32 refer to Attachment A.  
33

34 The total charges for electric power in 2008 were  $\$31,824.83 + \$846.71 = \$32,689.54$ . In March  
35 2008, MTEC corrected a mistake in the calculation of the "demand charge" for January and  
36 February 2008 (approximately \$1,000) as well as earlier months prior to 2008. MTEC credited  
37 Cartwright Creek's account \$6,580, which included credits for prior years. Subtracting the  
38 credit:  $\$32,689.54 - \$6,580 = \$26,109.54$ . This is essentially the number used in the Petition's

1 test years' purchased power costs and is not representative of the actual cost of electric power  
2 now or in future years.

3  
4 The actual cost of power is more appropriately represented by the costs in 2009. Attachment A  
5 shows that for the first seven months of 2009, Cartwright Creek spent  $\$19,340.00 + \$554.00 =$   
6  $\$19,894$  for purchased power. This equates to  $\$34,104$  on an annualized basis. Cartwright  
7 Creek has accordingly adjusted the purchased power cost in Attachment D.

8  
9 **Q. Do you have any comments on Mr. Peters' approach to Materials and Supplies?**

10  
11 As will be explained in my response to a succeeding question, costs and revenues associated with  
12 the Waterbridge project are being removed from this Petition. Cartwright Creek's attrition year  
13 Materials and Supplies amount of  $\$10,161$  included  $\$1,000$  supplies for the Waterbridge facility.  
14 Therefore, we concur with the  $\$9,161$  figure proposed by Mr. Peters.

15  
16 **Q. Do you have any comments on Mr. Peters' approach to Plant Management Expense?**

17  
18 A. The Plant Management expense reduction proposed by Mr. Peters does not provide  
19 sufficient funding to provide personnel for proper operation, maintenance, and management of  
20 Cartwright Creek's Grassland facility.

21  
22 In order to present my comments, we have prepared Attachment B summarizes the test year and  
23 attrition year amounts proposed by Cartwright Creek in its Petition, as well as the amounts  
24 proposed by Mr. Peters in his testimony. Cartwright Creek has added an additional column,  
25 reflective of anticipated costs, which are described below.

26  
27 My first comment responds to Mr. Peters' proposed billing rate of Mr. Meyer at  $\$52.43$  hourly,  
28 which is based upon Mr. Meyer's direct costs only. Cartwright Creek's approach is to bill Mr.  
29 Meyer's time for Cartwright Creek at its standard engineering rate charged to all customers.  
30 Cartwright Creek's hourly rate of  $\$185$ , is designed to cover direct and support personnel salaries  
31 required for normal operation and administration (including my time, in-house counsel, staff  
32 engineering, clerical), benefits, payroll taxes, and other support expenses (for example,  
33 telephone, copying). Therefore, Mr. Peters'  $\$52.43$  hourly rate does not cover support personnel  
34 and expenses described above. As Attachment B demonstrates, Mr. Peters' proposed allowances  
35 do not even cover the cost of Mr. Reed, when benefits and taxes are included.

36  
37 To provide additional support to the reasonableness of Cartwright Creek's attrition year amount  
38 for Plant Management expense, we have added the column entitled "Individual Cost Detail" to  
39 Attachment B. It includes Mr. Reed's fully loaded costs, a reduction in the requirement for

1 backup operator time, a proportion of Mr. Meyer's time and cost based upon anticipated need,  
2 and individual cost for support staff. The total of that column is \$162,817, which is more than  
3 the amount requested in Cartwright Creek's petition for the attrition year.  
4

5 **Q. Do you have any comments on Mr. Peters' elimination of rent expense?**  
6

7 Mr. Peters' testimony reiterates Cartwright Creek's position that Cartwright Creek will begin  
8 paying rent in 2010, but then completely eliminates the \$7,800 annual cost of rent because "this  
9 will not take place until after the attrition year" (2009). Cartwright Creek does not agree with  
10 Mr. Peters' approach because the cost of office space is a real cost that will begin to be incurred  
11 in 2010, regardless of its inclusion or exclusion from the attrition year. In fact, the Historical  
12 Income Statement included as Exhibit D in the original petition includes the rent charges and  
13 briefly explains why the attrition year rent charges were zero. A further explanation follows.  
14

15 Cartwright Creek requires office space for needs such as administration, report filing, and record  
16 keeping. Since the formation of Cartwright Creek, LLC in early 2005, that office space was  
17 being provided by Sheaffer International at Sheaffer's Thompson's Station address at no charge  
18 to Cartwright Creek. The cost of rent and utilities to Sheaffer International were approximately  
19 \$1,100 monthly. In early 2008, the Town of Thompson's Station and Sheaffer agreed to an early  
20 termination of a management agreement. As part of the termination agreement, the Town was  
21 required to provide Sheaffer International office space through the end of 2009, in consideration  
22 of payment of additional compensation.  
23

24 Therefore, rental office space required for Cartwright Creek will be needed beginning in January  
25 2010. As note H of Exhibit D in the original Petition indicates, \$7,800 annually equates to a  
26 \$650 monthly rental charge, including utilities, which Cartwright Creek believes is reasonable.  
27

28 **Q. Please discuss your issue with Insurance Expense for Cartwright Creek's forecast**  
29 **attrition year?**  
30

31 A. Cartwright Creek strongly disagrees with the CAPD proposed allocation basis for Insurance  
32 Expense in the 2009 attrition year. As discussed in our previous response to TRA Staff Data  
33 Request No. 2, Mark Effreim, President of Astro National, Inc. (Sheaffer's Insurance Broker and  
34 Risk Management Consultant), stated that the proper allocation of insurance and risk  
35 management expense is always based on the EXPOSURE of that location or division of the  
36 company. An example include the cost of wind/hurricane insurance in coastal Florida will be far  
37 greater than Glen Ellyn, IL. The point is insurance allocation expense is determined based on the  
38 cost of that location and its operations.  
39

Cartwright Creek bares the entire expense of pollution coverage expense for the last four months since there is no other location or project on Sheaffer's policy, which has such, treated wastewater discharge pollution risk. Astro National has applied the applicable rates based on exposure for Worker's Compensation, General Liability, Umbrella Liability, Pollution and Director's and Officers Liability Coverage. These are the actual costs associated with the breakdown of insurance expense for Cartwright Creek. In addition, our broker charges a risk management fee of \$7,500 that is the minimum for charged for location.

The worksheets previously provided in the rate case reflect an allocation based on actual exposure and policy rates. In response to this question, I requested that Astro National to reconfirm the allocation that the Sheaffer's annual insurance premium allocable to Cartwright Creek's operations. Their calculation follows and reflects are most recent policy renewals:

Property	=	\$7,374.00
Workers Comp	=	\$2,782.00
Auto	=	\$ 314.00
Umbrella	=	\$ 303.00
Professional Liab/Pollution	=	\$5,498.00
B&M	=	\$2,164.00
FF	=	\$5,339.00
		<hr/>
		\$23,774.00

Cartwright Creek in its attrition year projections used a lower number of \$19,805, which reflected its estimated premium at the time of original rate case filing was prepared. Cartwright Creek disagrees with a proposed reduction of insurance expense for attrition year revenue calculation purposes of \$10,238 as it appears that the current allowance is not sufficient to cover the latest insurance expense projection prepared by the Sheaffer International's broker which Cartwright Creek believes provide prudent management of the business risk and the lack of adequate reserves to reduce costs by raising deductible thorough direct assumption of the risk of loss by Cartwright Creek.

**Q. Do you have any comments on Mr. Peters' revisions to the Postage Expenses?**

A. Cartwright Creek has proposed a \$216 increase in the attrition year from 2008, for a total attrition year postage expense of \$2,260. Mr. Peters disallowed the increase and proposed leaving the postage expense at \$2,044, citing a 49% increase from 2007 and the attrition year value. Cartwright Creek believes that its proposed attrition year postage expense, which was

factored from the actual 2008 expenses, is reasonable. For further justification, the Cartwright Creek mailing requirements are estimated as follows:

- Customer bills: 315/month x 12	= 3,780
- Bill payment: 10/month x 12	= 120
- Customer notices (two each annual)	= 1060
- Past due notices 10/month x12	= 120
- Monthly discharge monitoring reports	= 12
- Quarterly, annual, TRA reports	= 5
- Misc. mailings from accounting to Sheaffer	= 36
Annual mailings	5,133
	X \$.044
	= \$2,259

**Q. Do you have any comments concerning Mr. Peters' testimony on depreciation expenses?**

A. Cartwright Creek disagrees with the CAPD recommendation to eliminate any provision to amortize the cost of the facility as it unduly restricts Cartwright Creek's ability to secure or borrow funds for the repair and replacement of the facility. Cartwright Creek requests that the TRA consider an additional surcharge in lieu of allowing Cartwright Creek to include depreciation expense in its operating expenses in determining the required annual revenue. Cartwright Creek would propose to escrow these funds for future repairs and replacement of the facility and collection system.

Most of contributions in aid of construction was received at a time when such contributions were subject to income taxes and in accordance with Cartwright Creek's tariff included 33% provision of the impact of income taxes on the books of the on the predecessor Company's tax return. To further strain the finances of Cartwright Creek, regulatory commissions did not allow CIAC property to be included in the investment base upon which Cartwright Creek was allowed to earn a return. Although the taxation of CIAC was eliminated in the mid 1990's, water and sewer utilities, including Cartwright Creek, were severely impacted by the increased taxation due to the large amounts of CIAC funds that they received. Thus the blanket assertion by CAPD that all the plant-in-service is contributed plant is erroneous as a portion of the cash contributions received represents a direct pass-through of the adverse impact of incomes taxes.

A portion of the tap fees collected should have been allocated to current income to offset the impact of income taxes and the interest expenses on the initial ownership loans that funded the treatment and collection system capable of serving 200 customers beyond the current number.



1 These costs and several large repairs to sewers and the facility have added to Cartwright Creek's  
2 accrued operating deficit in excess of \$1,952,458 (\$892,871 net of \$1,159,587 Contributions in  
3 Aid of Construction). Cartwright Creek also notes that the Contributions in Aid of Construction  
4 figure has been amortized as part of the current rate base. As a result, Cartwright Creek has not  
5 recovered any of the actual depreciation expense in its rates as is typical of most utilities. Thus  
6 it believes that the allowance of either depreciation or amortization of CIAC is appropriate.

7  
8 **Q. Please discuss your comments to Mr. Peters' use of the GDP chained-price deflator on**  
9 **page 9 of his testimony.**

10  
11 A. In a response that discusses Cartwright Creek's attrition year revenue beginning on line 11 of  
12 page 9, Mr. Peters cites the GDP chained-price deflator index from 1996 to 2008. He uses this  
13 index to support a revenue increase of no more than 29.96%, versus the 75% requested by  
14 Cartwright Creek.

15  
16 Cartwright Creek disagrees with Mr. Peters' use of any economic index to support the much  
17 smaller revenue increase amount recommended by CAPD. The expenses in Cartwright Creek's  
18 petition are based upon actual operating costs and reasonable estimates thereof. The required  
19 revenues are based upon covering these operating costs. Economic indices were not used to  
20 arrive at Cartwright Creek's costs or revenues. Therefore, the uses of these indices are  
21 unrealistic and invalid here and should not apply.

22  
23 **Q. Do you have any comments on Mr. Peters' testimony that compares Cartwright**  
24 **Creek's proposed rates to neighboring wastewater utilities?**

25  
26 A. Cartwright Creek disagrees with his comparison of the rates proposed by Cartwright Creek, a  
27 privately held utility which has approximately 530 wastewater customers, with publically held  
28 utilities and municipalities having a much larger customer base in both water and wastewater  
29 service.

30  
31 Every wastewater utility operates with individual operating circumstances and costs, reflective  
32 of, but not limited to, features like the age and condition of the facility, the specific treatment  
33 system process design, regulatory requirements, ability to share resources with multiple facilities,  
34 and, importantly, the size of the customer base. Sampling and analysis costs and other  
35 administrative costs are often similar for large and small treatment systems having vastly  
36 different customer bases to recover costs. Additionally, municipal wastewater utilities are not  
37 subject to real estate, franchise, income, and gross receipt taxes as is Cartwright Creek. Many of  
38 these utilities have funded their facilities through low cost government loan programs and grants  
39 that Cartwright Creek is not eligible to receive.

1  
2 Mr. Peters compares Cartwright Creek's proposed rates with the City of Franklin (16,000  
3 households, extensive commercial development, 12,000,000 gallon/day wastewater treatment  
4 facility with \$5.6 million operating budget), the City of Spring Hill (2,600 households, extensive  
5 commercial development, 2,000,000 gallon/day treatment facility) and the Harpeth Valley Utility  
6 District (12,000 wastewater customers, 5,500,000 gallons/day average wastewater treated).  
7 These utilities have revenue and operating cost structures that take advantage of economy of  
8 scale in determining user charges.

9  
10 Cartwright Creek also disagrees with Mr. Peters' assumption that 3 to 4 bedroom homes would  
11 produce 5000 gallons /month of wastewater, which was used in his calculation of average bills.  
12 A 5000 gallon/month flow rate, annualized for 12 months, would be 164 gallons per day. A  
13 three to four bedroom home with three to five people would be more likely to generate from 200  
14 to 250 gallons per day minimum (TDEC design standards allow 300 to 350 gallons/day). At 225  
15 gallons/day, the monthly flow rate would be 6844 gallons/month.

16  
17 The neighboring wastewater utility that is comparable to Cartwright Creek is Lynwood Utility,  
18 which is a privately held wastewater utility with approximately 800 residential customers.  
19 Lynwood's current rate for residential wastewater is \$6.53 per 1000 gallons. At the 6844  
20 gallon/month rate, the residential bill would be \$44.70 monthly. Lynwood is currently  
21 proceeding through a rate increase that would raise its residential rates to \$8.78 per 1000 gallons.  
22 At this rate, the monthly bill would be \$60.09. These rates compare to Mr. Peters' calculation of  
23 Cartwright Creek's proposed average customer bill of \$57.

24  
25 On the bottom of page 10 of Mr. Peters' testimony he states "Additionally, Cartwright Creek  
26 customers do not receive a discount in the summer months (other utilities do not charge sewage  
27 treatment for water used for watering their lawns and gardens) whereas all of the neighboring  
28 systems do offer such a program." This implies that Lynwood Utility District, Harpeth Valley  
29 Utility District, City of Franklin, and the City of Brentwood offer a summertime sewer bill that is  
30 discounted for irrigation water.

31  
32 **Q. Do you have any comments on Mr. Peters' comments on cost containment by**  
33 **Cartwright Creek?**

34  
35 A. On line 2 of page 11 of his testimony, Mr. Peters states: "Like all companies operating in  
36 this difficult economic climate, Cartwright Creek needs to focus more on cost containment and  
37 less on rate relief. Most companies are trimming costs to retain customers, not increasing  
38 prices."  
39

1 Cartwright Creek strongly disagrees with Mr. Peters' implication that Cartwright Creek is  
2 focusing on rate increases and not reducing costs. Cartwright Creek has shown in the original  
3 Petition as well as subsequent responses to TRA and CAPD how Cartwright Creek has  
4 accomplished substantial cost containment. For example, the current full time operator performs  
5 regular maintenance and much of the emergency maintenance previously outsourced at  
6 significantly higher rates. Repair and maintenance costs have dropped to \$31,191 in 2008 from  
7 \$89,084 in 2007. Additionally, plant the full time operator installed piping modifications to  
8 reduce fresh water usage saving over \$1,000 monthly. Cartwright Creek believes that the  
9 availability of our experienced, full-time operator has, if anything reduced the amount of rate  
10 relief requested.

11  
12 Cartwright Creek is continuing to look for cost saving opportunities.  
13  
14

15 **Q. What are are your comments on Mr. Peters' discussion of rate design on page 11?**  
16

17 A. Cartwright Creek understands the CAPD's position that volumetric based billing encourages  
18 conservation and provides more accurate billing. In prior testimony Bruce Meyer, Cartwright  
19 Creek's VP of Operations, explained the basis for Cartwright Creek's billing based upon the  
20 number of bedrooms. First and foremost, Cartwright Creek notes that whichever billing basis is  
21 used, the amount of the overall new revenue need to remain the same or slightly increase due to  
22 increased administrative costs associated with volumetric billings. Cartwright Creek has  
23 requested actual water billing from the City of Franklin for all but one of its commercial  
24 customers (served by HVUD). Cartwright Creek will analyze the impact of this information on  
25 the proposed rates.  
26

27 The CAPD's annual revenue calculation of \$76,547 resulted in almost a 30% increase compared  
28 to 2008 actual regulated revenues. Testimony contained herein points out the validity of  
29 Cartwright Creek's 75% increase based on an operating income deficiency of \$185,233.  
30

31 The CAPD also proposes a phase in period over at least a two year period with no annual  
32 increase exceeding 50% if the increase during the two year "phase-in" period. However,  
33 Cartwright Creek believes that it has maximized the benefits from its cost containment efforts in  
34 the current 2008 test period and attrition year. Additionally, the utility has operated at a deficit  
35 since inception. The historical tariff rates were subsidized by these deficits, which have been  
36 funded by investor loans and capital contributions. Cartwright Creek's proposed rate is based  
37 on actual and expected operating costs of the utility. Investors cannot be expected to continue to  
38 subsidize its customers in the form of continuing operating deficits should Cartwright Creek not  
39 receive its full requested rate increase.



**Q. Mr. Peters' proposes a number of increased consumer protection benefits beginning on page 12 of his testimony. Do you have any comments?**

Cartwright Creek acknowledges the concerns of the CAPD office for consumer protection, and our existing and proposed tariffs have descriptions of a customer notification process for past due bills. Cartwright Creek is open to revising its existing procedures to be consistent with provisions in the CAPD recommendations in Mr. Peters' testimony. Cartwright Creek is evaluating the resources required to comply with the CAPD recommendations and reserve the right to revise our administrative costs for their implementation.

**Q. Do you have any comments concerning Mr. Peters' discussion of the Waterbridge Developments petition presented on page 2, of his Supplemental Direct Testimony of August 28, 2009?**

A. Yes. Mr. Peters' comments pertain to his review of a draft contract between the Developer and Cartwright Creek, which may be modified substantially before execution. Cartwright Creek contends that the Waterbridge Development should not be part of this Petition and that this Petition should remain specific to the Cartwright Creek Grasslands Operations. In light of this and the subsequent invention by the Waterbridge Development LLC into this rate case, Cartwright Creek is proposing to remove the relatively small amount of Waterbridge revenue and expenses included in this Petition. The revenues and expenses balanced and did not affect the Net Revenue Requirement. This is explained as follows.

A small amount of revenue from the initial stages of Waterbridge operation is reflected as \$8,000 shown as "Revenues from Other Systems" in Exhibit D entitled Historical Income Statement Analysis in Cartwright Creek's original rate case filing

The original Petition also included initial operating costs anticipated for the Waterbridge facility, totaling \$ 8,000, which included \$5,000 in plant management expenses, \$1,500 in additional electric power, \$1,000 for materials and supplies, and \$500 in travel expenses. These costs were distributed within individual line items.

Cartwright Creek has revised the spreadsheet (Attachment D) that shows the elimination of the Waterbridge revenue and expenses.

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

A. Yes, it does.

**Petition of Cartwright Creek, LLC to**  
**Change and Increase Rates and Charges**  
**Docket No. 09-00056**  
**Response to Consumer Advocate's Direct and Supplemental Testimony**

## **Attachment A**

### **Electric Power Bill Summary**

## CARTWRIGHT CREEK POWER BILL SUMMARY FOR 2008 AND 2009

Inv Date	Period	KWh Usage	KWH/day	KW Usage	Total Due	Check Column	Customer Charge	Energy Chrg <15000KW	Energy Chrg >15000 KW	Dmd Chrg > 50 KW	TVA FCA Under	TVA FCA Over	Tax	Operation Round Up	
1/16/2008	12/12-1/11	31	31,520	1016.8	66.00	\$ 2,691.83	\$ 2,691.83	\$ 35.50	\$ 1,200.00	\$ 684.75	\$ 508.79	\$ 41.25	\$ 45.10	\$ 176.08	\$ 0.36
2/19/2008	1/12-2/15	35	40,560	1158.9	--	\$ 3,119.00	\$ 3,119.00	\$ 35.50	\$ 1,200.00	\$ 1,059.46	\$ 508.79	\$ 41.25	\$ 69.78	\$ 204.03	\$ 0.19
3/18/2008	2/16-3/11	25	24,400	976.0	76.72	\$ 2,139.00	\$ 2,139.00	\$ 35.50	\$ 1,200.00	\$ 389.63	\$ 306.75	\$ 41.25	\$ 25.66	\$ 139.92	\$ 0.29
4/17/2008	3/12-4/10	30	30,880	1029.3	68.00	\$ 2,610.00	\$ 2,610.00	\$ 45.33	\$ 1,287.90	\$ 709.99	\$ 221.22	\$ 85.05	\$ 89.09	\$ 170.70	\$ 0.72
5/19/2008	4/11-5/13	33	31,840	964.8	51.52	\$ 2,445.00	\$ 2,445.00	\$ 45.33	\$ 1,287.90	\$ 752.92	\$ 18.68	\$ 85.05	\$ 94.47	\$ 159.90	\$ 0.75
6/17/2008	5/14-6/10	28	26,480	945.7	54.16	\$ 2,191.00	\$ 2,191.00	\$ 45.33	\$ 1,287.90	\$ 513.27	\$ 51.13	\$ 85.05	\$ 64.40	\$ 143.30	\$ 0.62
7/17/2008	6/11/-7/10	30	29,360	978.7	57.84	\$ 2,438.00	\$ 2,438.00	\$ 45.33	\$ 1,287.90	\$ 642.04	\$ 96.35	\$ 106.20	\$ 100.52	\$ 159.48	\$ 0.18
8/18/2008	7/11-8/11	32	34,800	1087.5	52.56	\$ 2,670.00	\$ 2,670.00	\$ 45.33	\$ 1,287.90	\$ 885.26	\$ 31.46	\$ 106.20	\$ 138.60	\$ 174.63	\$ 0.62
9/16/2008	8/12-9/9	29	30,480	1051.0	55.36	\$ 2,468.00	\$ 2,468.00	\$ 45.33	\$ 1,287.90	\$ 692.11	\$ 65.87	\$ 106.20	\$ 108.36	\$ 161.40	\$ 0.83
10/16/2008	9/10-10/10	31	30,640	988.4	64.16	\$ 3,037.00	\$ 3,037.00	\$ 45.33	\$ 1,324.65	\$ 721.00	\$ 178.84	\$ 279.45	\$ 288.40	\$ 198.64	\$ 0.69
11/18/2008	10/11-11/10	31	31,840	1027.1	56.16	\$ 3,012.00	\$ 3,012.00	\$ 45.33	\$ 1,324.65	\$ 776.32	\$ 77.80	\$ 279.45	\$ 310.53	\$ 196.99	\$ 0.93
12/16/2008	11/11-12/11	30	31,680	1056.0	56.40	\$ 3,004.00	\$ 3,004.00	\$ 45.33	\$ 1,324.65	\$ 768.95	\$ 80.83	\$ 279.45	\$ 307.58	\$ 196.48	\$ 0.73
Total 2008		365	374,480	1026.0	\$ 0.085	\$ 31,824.83	DOES NOT INCLUDE APPROX \$1,000 CREDIT FOR DEMAND CHARGE OVER PAYMENT FOR JAN AND FEB								
					ave. per KWh in 2008										
1/19/2009	12/11-1/12	33	39,200	1187.9	62.72	\$ 3,403.00	\$ 3,403.00	\$ 45.33	\$ 1,324.65	\$ 1,115.62	\$ 160.65	\$ 205.65	\$ 328.39	\$ 222.62	\$ 0.09
2/17/2009	1/13-2/09	28	31,680	1131.4	68.56	\$ 3,002.00	\$ 3,002.00	\$ 45.33	\$ 1,324.65	\$ 768.95	\$ 234.41	\$ 205.65	\$ 226.35	\$ 196.37	\$ 0.29
3/17/2009	2/10-3/11	30	28,480	949.3	55.52	\$ 2,622.00	\$ 2,622.00	\$ 45.33	\$ 1,324.65	\$ 621.43	\$ 69.72	\$ 205.65	\$ 182.92	\$ 171.48	\$ 0.82
4/20/2009	3/12-4/10	30	28,960	965.3	58.4	\$ 2,526.00	\$ 2,526.00	\$ 45.33	\$ 1,324.65	\$ 643.56	\$ 106.09	\$ 125.40	\$ 115.45	\$ 165.23	\$ 0.29
5/18/2009	4/11-5/11	31	31,520	1016.8	76.16	\$ 2,915.00	\$ 2,915.00	\$ 45.33	\$ 1,324.65	\$ 761.57	\$ 330.40	\$ 125.40	\$ 136.62	\$ 190.68	\$ 0.35
6/16/2009	5/12-6/6	29	26,480	913.1	69.12	\$ 2,527.00	\$ 2,527.00	\$ 45.33	\$ 1,324.65	\$ 529.23	\$ 241.49	\$ 125.40	\$ 94.94	\$ 165.27	\$ 0.69
7/16/2009	6/10-7/9	30	27,280	909.3	58.56	\$ 2,345.00	\$ 2,345.00	\$ 45.33	\$ 1,324.65	\$ 566.11	\$ 108.11	\$ 81.45	\$ 65.94	\$	



**ATTACHMENT A - Page 2 of 2**

**METER AT OLD NATCHEZ PUMP STATION**

Inv Date	Period	KWH Usage	KWH/day	KW Usage	Total Due	Customer Charge	Energy Charge	TVA Fuel Cost Adj	Tax	Operation Round Up		
1/16/2008	12/13-1/11	30	600	20.0	8.6	\$ 64.71	\$ 64.71	\$ 13.00	\$ 45.83	\$ 1.65	\$ 4.23	\$ -
2/19/2008	1/12-2/13	33	400	12.1	3.8	\$ 48.00	\$ 48.00	\$ 13.00	\$ 30.55	\$ 1.10	\$ 3.13	\$ 0.22
3/18/2008	2/14-3/11	27	600	22.2	3.6	\$ 65.00	\$ 65.00	\$ 13.00	\$ 45.83	\$ 1.65	\$ 4.23	\$ 0.29
4/17/2008	3/12-4/10	30	600	20.0	9.6	\$ 75.00	\$ 75.00	\$ 16.60	\$ 49.31	\$ 3.40	\$ 4.85	\$ 0.84
5/19/2008	4/11-5/12	32	600	18.8	8.4	\$ 75.00	\$ 75.00	\$ 16.60	\$ 49.31	\$ 3.40	\$ 4.85	\$ 0.84
6/17/2008	5/13-6/11	30	400	13.3	7.2	\$ 56.00	\$ 56.00	\$ 16.60	\$ 32.88	\$ 2.27	\$ 3.62	\$ 0.63
7/17/2008	6/12-7/10	29	600	20.7	7.6	\$ 76.00	\$ 76.00	\$ 16.60	\$ 49.31	\$ 4.25	\$ 4.91	\$ 0.93
8/18/2008	7/11-8/11	32	600	18.8	2.8	\$ 76.00	\$ 76.00	\$ 16.60	\$ 49.31	\$ 4.25	\$ 4.91	\$ 0.93
9/16/2008	8/12-9/09	29	400	13.8	6.0	\$ 56.00	\$ 56.00	\$ 16.60	\$ 32.88	\$ 2.83	\$ 3.66	\$ 0.03
10/16/2008	9/10-10/10	31	600	19.4	7.8	\$ 85.00	\$ 85.00	\$ 16.60	\$ 50.78	\$ 11.18	\$ 5.50	\$ 0.94
11/18/2008	10/11-11/10	31	600	19.4	7.4	\$ 85.00	\$ 85.00	\$ 16.60	\$ 50.78	\$ 11.18	\$ 5.50	\$ 0.94
12/16/2008	11/11-12/10	31	600	19.4	7.8	\$ 85.00	\$ 85.00	\$ 16.60	\$ 50.78	\$ 11.18	\$ 5.50	\$ 0.94
		365	6600	18.1	\$ 0.128	\$ 846.71						
					ave. per KWh in 2008							
1/19/2009	12/12-1/12	32	600	18.8	7.8	\$ 81.00	\$ 81.00	\$ 16.60	\$ 50.78	\$ 8.23	\$ 5.29	\$ 0.10
2/17/2009	1/13-2/10	29	600	20.7	7.2	\$ 81.00	\$ 81.00	\$ 16.60	\$ 50.78	\$ 8.23	\$ 5.29	\$ 0.10
3/17/2009	2/11-3/11	29	600	20.7	9.8	\$ 81.00	\$ 81.00	\$ 16.60	\$ 50.78	\$ 8.23	\$ 5.29	\$ 0.10
4/20/2009	3/12-4/09	29	600	20.7	8.8	\$ 78.00	\$ 78.00	\$ 16.60	\$ 50.78	\$ 5.02	\$ 5.07	\$ 0.53
5/18/2009	4/10-5/11	32	800	25.0	5.2	\$ 98.00	\$ 98.00	\$ 16.60	\$ 67.71	\$ 6.69	\$ 6.37	\$ 0.63
6/16/2009	5/12-6/09	29	600	20.7	3.0	\$ 78.00	\$ 78.00	\$ 16.60	\$ 50.78	\$ 5.02	\$ 5.07	\$ 0.53
7/16/2009	6/10-7/9	30	400	13.3	7.0	\$ 57.00	\$ 57.00	\$ 16.60	\$ 33.86	\$ 2.17	\$ 3.68	\$ 0.69
		210	4200	20.0	\$ 0.132	\$ 554.00						
					ave. per KWh in 2009							

**Petition of Cartwright Creek, LLC to**  
**Change and Increase Rates and Charges**  
**Docket No. 09-00056**  
**Response to Consumer Advocate's Direct and Supplemental Testimony**

## **Attachment B**

### **Summary of Plant Management Expense**

**Attachment B**  
**Summary of Plant Management Expenses in Petition and Proposed by CAPD**

	Cartwright Creek Petition		Proposed by CAPD	Individual Cost Detail
	Test Year	Attrition Year		
Operator (Reed)	\$64,848 <sup>(1)</sup>	\$64,848	\$60,645 <sup>(4)</sup>	\$75,195 <sup>(6)</sup>
Part-Time Op (Winfrey)	\$31,250 <sup>(2)</sup>	\$26,250	0	\$17,400 <sup>(7)</sup>
Ops Mgr (Meyer)	\$51,153 <sup>(3)</sup>	\$51,153 <sup>(3)</sup>	\$14,497 <sup>(5)</sup>	\$44,448 <sup>(8)</sup>
Misc Charges	\$797	\$797		
Corporate Mgmt.	Incl.	Incl.	0	\$13,992 <sup>(9)</sup>
Staff Eng. Support	Incl.	Incl.	0	\$10,782 <sup>(10)</sup>
In-house Counsel	Incl.	Incl.	0	\$1000 <sup>(11)</sup>
	\$148,048	\$143,048	\$75,142	\$162,817 <sup>(12)</sup>

(1) 2008 allocation of Reed's time and overhead costs

(2) 2008 charges from Bobby Winfrey

(3) \$185 hourly x 276.5 hours =

(4) \$75,142 - \$14,497 = \$60,645

(5) \$52.43 hourly x 276.5 hours = \$14,497

(6) Direct costs associated with Delmar Reed's employment (includes previously reported confidential salaries, FICA, Company 401k safe-harbor match, and company paid dental and health \$12,876, Company Paid Disability and Life Insurance \$352, TN UC Tax \$243).

(7) Weekend staffing 4 hours each day on weekends = 8 hours/week = 416 hours

Vacation backup to Mr. Reed, 3 weeks = 120 hours

Holiday, Sick, Personal day backup to Mr. Reed, 10 days = 80 hours

Backup coverage during regular and unscheduled maint. = 80 hours  
696 hours

x \$25 = \$17,400

(8) 16 hours/week for activities listed on Attachment C priced including includes previously reported confidential salaries, FICA, Company 401k safe-harbor match, and company paid dental and health \$9972, Company Paid Disability and Life Insurance \$453, TN UC Tax \$243).

(9) This amount represents the direct costs of the services provided by Robert I. Cochrane, CFO of Sheaffer International for activities related to his role as Sheaffer International's staff member assigned to act as Manager of the Corporation. This amount excludes any activities related to the rate case. These costs are typically included in the base hourly rate that engineering company's charge its customers.

(10) This amount represents allocated direct costs of time expended by Company staff in providing administrative and technical support to Cartwright Creek in resolving technical issues and facilitating analysis of the plant's capabilities to response to the impending NPDES permit.

(11) This amount represents costs associated with Sheaffer's In-house Counsel for legal services related to contractual, regulatory, and collection agreements not related to the rate case.

(12) This amount excludes any provision for direct costs and overhead items such as telephone, copies, supplies, utilities, and office supplies pertaining and incurred by Sheaffer International in performance of its responsibilities as the Company's Manager..



**Petition of Cartwright Creek, LLC to**  
**Change and Increase Rates and Charges**  
**Docket No. 09-00056**  
**Response to Consumer Advocate's Direct and Supplemental Testimony**

## **Attachment C**

### **Operations, Administration, Engineering Requirements**

## **Attachment C**

### **Operations Manager/Administrative/Engineering Requirements at Cartwright Creek**

#### **Operations and Engineering**

- Daily discussions with full time operator to review operational status, repair issues
- Respond to emergency calls for problems with treatment system and collection system
- Bid, select, and manage outside contractors for regular and emergency maintenance work
- Manage all contacts with homeowners and property owners concerning additional taps
- Prepare proof of service letters to homeowners for county and state submittal
- Main Cartwright Creek contact for regulatory agencies (TDEC, Williamson County, other utility districts, Franklin)
- Main Cartwright Creek contact for industry organizations (TN Association of Utility Districts, for example)
- Review and approve invoices
- Provide engineering support for equipment and process troubleshooting

#### **Administrative**

- New NPDES permit – once permit issued, review impact on facility and costs, discussions with TDEC, develop implementation plan.
- Manage program to investigate, engineer, and implement improvements to collection and treatment
- Formalize safety program, develop additional procedures, training
- Prepare and Implement Identity theft program
- Grease trap inspection and cleanout program
- Formalize Laboratory procedures

**Petition of Cartwright Creek, LLC to**  
**Change and Increase Rates and Charges**  
**Docket No. 09-00056**  
**Response to Consumer Advocate's Direct and Supplemental Testimony**

## **Attachment D**

### **Summary of Rate Making Components**

**ATTACHMENT D****Cartwright Creek L.L.C. TRA Docket #09-00056****Comparison of Rate making Components - Company vs. consumer Advocate****For 12 Months Ending December 31, 2009**

Line #		Company 2009 Original Petition	Waterbridge related Items exclusion	Attrition Yr. Adjustment per Company Rebuttal Testimony	Company Revised 2009 Proposed	Adjustments	Consumer Advocate	Diference	
1	Residential revenues	\$189,641			\$189,641	\$0	250,201	(\$60,560)	-32%
2	Bonding Fee Surch. (pass through eliminated)	\$2,400		(\$2,400)	\$0	\$0	\$0	\$0	
3	Commercial Revenues	54,137			\$54,137	\$0	\$69,732	(\$15,595)	-28.81%
4	Other Revenues	9,359	(\$8,000)		\$1,359	\$0	\$11,759	(\$10,400)	
5	Total Revenues	\$255,537	(\$8,000)	(\$2,400)	\$245,137	\$0	\$332,083		
	Proposed Company Rate Increase	\$185,233		\$18,951	\$204,184			\$117,238	
6	Sludge removal expense	\$68,463			\$68,463	\$0	\$68,463	\$0	
7	Purchased Power	\$29,929	(\$1,500)	\$5,675	\$34,104	\$3,722	\$26,208	\$7,896	
8	Chemicals	\$10,354			\$10,354	\$0	\$10,354	\$0	
9	Materials & Supplies	\$10,161	(\$1,000)		\$9,161	\$1,000	\$9,161	\$0	
10	Plant & Management	\$143,048	(\$5,000)		\$138,048	\$67,906	\$75,142	\$62,906	
11	Accounting	\$30,400			\$30,400	\$0	\$30,400	\$0	
12	Repairs & Maint to Plant	\$31,191			\$31,191	\$0	\$31,191	\$0	
13	Rents	\$7,800			\$7,800	\$7,800	\$0	\$7,800	
14	Transportation Expenses	\$4,936	(\$500)		\$4,436	\$0	\$4,936	(\$500)	
15	Telephone	\$1,535			\$1,535	\$0	\$1,535	\$0	
16	Insurance Expanses	\$19,805			\$19,805	\$10,237	\$9,567	\$10,238	
17	Postage	\$2,260			\$2,260	\$216	\$2,044	\$216	
18	Rate Case Expense	\$8,000			\$8,000	\$0	\$8,000	\$0	
19	Regulatory Commission Expenses	\$707			\$707	\$0	\$707	\$0	
20	Bad Debt Expense	\$500			\$500	\$0	\$500	\$0	
	Interest on Smith Note	\$15,339			\$15,339		\$15,339	\$0	
21	Bank Charges	\$3,811		(\$2,400)	\$1,411	\$0	\$3,811	(\$2,400)	
22	Miscellaneous Expense	\$2,637			\$2,637	\$0	\$2,637	\$0	
23	Industry Association Dues	\$520			\$520	\$0	\$520	\$0	
24	Depreciation	\$27,645			\$27,645	\$27,645	\$0	\$27,645	
25	Amortization Expense - Other	\$8,333			\$8,333	\$0	\$8,333	\$0	
26	Permits & Taxes other than Income	\$17,000			\$17,000	\$0	\$17,000	\$0	
					\$0			\$0	
27	Total Expenses	\$444,374	(\$8,000)	\$3,275	\$439,649	\$118,526	\$310,510	\$129,139	
28	Net Operating income (Before Taxes)	(\$3,604)	\$0	\$13,276	\$9,672	\$118,526	\$21,573		
	Total Expenses				\$439,649.00		\$310,510.00		
	Margin (original Petition)			2.2%	\$9,672.28		\$21,573.00		
	Total Required Revenue				\$449,321.28		\$332,083.00		
	2008 Base Revenue				\$245,137		\$253,137		
	Revenue Shortfall				\$204,184		\$76,546		
	Allowed Rate Increase Applied to Tariff Rates				83.29%		30.24% Note 1.		
	Actual Rate Increase Applied in Tariff Rates				75.00%				

Note 1: The CAPD proposes to further reduce the requested tariff increase by interest earned on funds contributed by Sheaffer International to secure the required TRA financial security without including an associated cost of this equity. The Company excluded interest income on these funds.