

TENNESSEE REGULATORY AUTHORITY



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Nashville, Tennessee 37243-0505

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May 29, 2009

Mr. Robert I. Cochrane
Vice President and Chief Financial Officer
Sheaffer International, LLC.
800 Roosevelt Road, Suite C-20
Glen Ellyn, IL 60137

RE: Docket No. 09-00056 - Petition of Cartwright Creek, LLC to Change and Increase Rates and Charges.

Dear Mr. Cochrane:

To further the Staff's investigation of the reasonableness of the proposed rates filed with this Authority on April 28, 2009, it is requested that you furnish additional information as requested on the attached Staff Data Request #1. Should you have questions regarding any item number in the attached request, please contact Pat Murphy (extension 178) or Paul Greene (extension 156) for clarification before responding.

It is requested that this information be provided no later than Monday, June 22, 2009 and that you reference Docket 09-00056 on the response. In accordance with TRA rules submit either (1) thirteen written copies of your response or (2) four written copies and an electronic version. Thank you for your attention to this matter.

Sincerely,

Darlene Standley, Chief
Utilities Division

Enclosure

C: Nathan Hinch

TRA STAFF DATA REQUEST NO. 1

INSTRUCTIONS:

In responding to the following data requests, please repeat the question, followed by the Company's response in pdf format as required by the Docket Room.

Additionally, all responses should be provided electronically in Word format or Excel format with working formulas on a CD properly labeled "Response to 5/29/09 Data Request – For Staff Use."

GENERAL:

1. Provide all documents and schedules filed with the Petition electronically in Word format (if originally produced in Word) and Excel format (if originally produced in Excel) with working formulas.
2. Provide a Chart of Accounts for Cartwright Creek, LLC ("Cartwright" or "Company").
3. Explain in detail, referencing Schedules produced by the Company in the preparation of this case, how the revenue deficiency of \$220,405 was calculated. Provide the Excel spreadsheets in the format requested, if not included in the original filing.
4. Provide accounting exhibits in Excel format similar to those provided on a CD (with working formulas) showing calculation of revenue deficiency.
5. Provide an organizational chart for Sheaffer International ("Sheaffer").

CUSTOMERS, USAGE AND REVENUES:

6. Is commercial sewer usage metered or billed based on water usage?
7. Explain the Company's rationale for continuing a rate design based on the number of bedrooms for the residential class.
8. Has the Company conducted any research which indicates that the number of bedrooms is related to the number of residents in a household or that this methodology best represents actual usage? If the answer is yes, please provide the results of this research.
9. Has the Company explored the possibility of setting rates based on water usage? If so, please explain the reason that Cartwright decided not to pursue this methodology.
10. Does Cartwright have the ability to bill based on usage? Does Cartwright have records of historical water usage for residential customers?
11. In an Excel spreadsheet, provide the number of customers monthly by class:
 - a. residential customers broken down by number of bedrooms from December 2006 through the most current month for which data is available;

- b. commercial customers from December 2006 through the most current month for which data is available; and
 - c. total customers at the end of each month from December 2006 through the most current month for which data is available.
- 12. In an Excel spreadsheet, provide actual volumetric usage by month for the commercial class, from December 2006 through the most current month for which data is available.
- 13. In an Excel spreadsheet, provide forecasted new residential customers **in existing subdivisions** broken down by number of bedrooms by month beginning with the month following the latest month actual (provided in response to questions above) through Dec 2012.
- 14. Provide the estimated dates expected for the construction of homes in each new development (Waterbridge and Stillwater) to begin.
- 15. In an Excel spreadsheet, provide forecasted new residential customers **separately for the Waterbridge and Stillwater subdivisions** broken down by number of bedrooms by month from time the first house is expected to be complete and connected to the wastewater system through December 2012.
- 16. Regarding the \$450,000 default judgment against the development and the developer of the Burrus Ridge Subdivision (paragraph 3 of the Petition):
 - a. Provide a detailed listing (include the date, type of service and cost of such service) of each “unpaid service” incurred by Sheaffer on behalf of the Burrus development.
 - b. Were any of these costs directly charged to Cartwright or otherwise funded by Cartwright?
 - c. If the response to the above is yes, was the \$450,000 recovery reflected on the books of Cartwright? Why or why not?
 - d. If the recovered amount was accounted for on the books of Sheaffer, and not Cartwright, explain why.
- 17. The Petition at paragraph 6 (two paragraphs are labeled “6”) states that potential new customers have approached Cartwright requesting to be added to the system. Once the Company is able to add new customers to the existing system, how many customers does Cartwright expect could be added immediately if the increase in tap fees is approved as requested by the Company in its Petition, paragraph 6? Also, what is the maximum customer count expected on the existing system, if all lots are developed?
- 18. On Exhibit D (Historical Income Statement Analysis), the Company lists revenues from other systems of \$8,000 for the attrition period (Note C). Please explain in detail this transaction and why the \$8,000 is booked as revenue instead of a reduction of expense. Provide a copy of the agreement.

EXPENSES: All questions on expenses below relate to the Company’s Income Statement as provided in Exhibit D to the Petition or the Company’s 2008 annual report.

19. What is the amount of Sheaffer's total expenses for 2008?
20. Of this total, how much was directly charged or allocated to non-regulated operations? Provide the methodology used to allocate all charges not directly assigned.
21. Of the regulated amount, how much was directly assignable by Sheaffer to each affiliated entity?
22. Of the regulated amount, how much was allocated to each affiliated entity? Provide the methodology used to allocate these charges.
23. Mr. Cochrane's testimony at page 5 states that Cartwright's accounting and billing support services are provided by Haury & Smith, a firm owned by the 10% owners of Cartwright at an annual cost of \$30,000. Based on the current customer base, this amount equates to \$4.75 per customer per month. Has the Company evaluated other options for these services? How did the Company determine that \$30,000 was reasonable and the best price available for these services?
24. Provide a copy of the contract between Cartwright and Haury & Smith for accounting and billing services.
25. Provide a copy of the 2008 sludge removal invoices. Regarding the 8% increase forecasted for the attrition period, provide written documentation supporting the notification from Dickson Sanitary District.
26. Explain the decrease in expense for Materials and Supplies from 2007 to 2008. Also, explain the calculation of the forecasted \$2,000 increase forecasted for the attrition period.
27. The expense for Plant Management increased from \$8.19 per customer per month in 2007 to \$23.32 per customer per month in the test year of 2008. Please explain what comprises this increase and explain in detail each component contributing to the increase.
28. Explain the rationale for billing Cartwright a \$185 per hour fee for the services provided by Bruce Meyer.
29. Explain why Mr. Meyer should not be paid a flat rate salary for managing Cartwright.
30. Is any part of Mr. Cochrane's salary allocated to Cartwright? Explain.
31. Cartwright states that it does not have any employees (Cochrane's testimony, page 5). Explain why Delmar Reed, for whom Cartwright pays a monthly compensation plus payroll taxes plus health, dental and life insurance and 401k matching is not considered an employee by Cartwright.
32. On page 6 of Mr. Cochrane's testimony, he states that Mr. Winfrey's duties have been reduced and taken over by Mr. Reed. The cost savings are supposed to be reflected as an adjustment decreasing the historical operating expense for 2008 in Exhibit D. We are unable to identify this adjustment. Please provide an exact reference.
33. Provide a copy of the service agreement with the Town of Thompson Station.
34. Provide the physical address of the office space used by the Company.
35. What is the square footage of the office space?
36. Who will be the landlord and who will pay the monthly rent, Cartwright or Sheaffer?

37. Please itemize the costs included in Transportation expense.
38. Provide copies of invoices for all rate case expenses incurred to date. Provide the basis for the forecasted remainder of expense (total of \$32,000 amortized over 4 years).
39. Explain what Inland Marine insurance (\$7,883) is. Why did the amount allocated to Cartwright increase from 52.3% in 2008 to 100% in the attrition period.
40. Explain the \$50,000 adjustment made to Depreciation expense.
41. Explain why the Depreciation expense reported in Exhibit D differs from the expense shown on the Company's 2008 annual report provided to the TRA.
42. Explain why the recorded Contributions in Aid of Construction-net amount is greater than the gross Plant in Service amount on the Company's 2008 annual report.