

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA US MAIL AND FACSIMILI

August 17, 2009

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

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2009 AUG 19 AM 10:20
T.R.A. DOCKET ROOM

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 #2. 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 Thursday, August 27, 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: Thomas L. Kolschowsky
Bruce Meyer

TRA STAFF DATA REQUEST NO. 2

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 8/14/09 Data Request – For Staff Use."

1. Exhibit H to the Petition is a summary of Sheaffer cash advances to Cartwright Creek and unpaid billings for services and expenses to Cartwright Creek. Are the invoiced amounts from Sheaffer for 2008 (Exhibit E included with the filing and listed as unpaid on Exhibit H) included in the actual expenses for year ended December 2008 on the Historical Income Statement Analysis (Exhibit D)?
2. Refer to Mr. Cochrane's testimony, page 8. Please submit a copy of Mr. Reed's pending contract with the developer of the new Waterbridge Development. How much time do you anticipate Mr. Reed will spend (per week) overseeing the developer's construction of the new Sheaffer system?
3. The first sentence of paragraph 6 of the Company's Petition states that "recent maintenance and repair efforts and the employment of a full-time experienced wastewater operator have enabled Cartwright Creek to consider adding new customer taps without undue risk of future permit violations." Please provide a list of the repairs and maintenance and associated costs that have been performed since the employment of Mr. Reed.
4. Refer to Mr. Cochrane's testimony, page 4. Please explain the "comprehensive plan" to address the Infiltration and Inflow ("I & I") problem and supply any available documentation.
5. On the 2008 Annual Report (see Balance Sheet on page F-4) a liability is listed for \$191,953 and labeled "Due to Sheaffer." Please identify (itemize) what this liability represents and any supporting calculations.
6. Please reconcile the following statements:
On page 5 of his testimony, Mr. Cochrane states, "Mr. Reed and Mr. Meyer are confident that a previously self-imposed limit on additional taps can now be lifted." On page 8, Mr. Cochrane states, "The Company intends to notify the public of its ability to add approximately 150 new customers . . ."

At page 4 of his testimony, Mr. Meyer states, "The collection system and treatment system is operating well over its design capacity."

In your response, please indicate whether the Company has applied for and received approval from the Tennessee Department of Environment and

- Conservation ("TDEC") to add new customers to the existing system? Explain why or why not?
7. Refer to Mr. Cochrane's testimony on page 9. Please provide the calculation of the \$10,000 anticipated in plant operating costs associated with a reduction in hours for Mr. Winfrey. To what account are these costs booked?
 8. Provide a copy of the notice from Dickson Sanitary District for the 8% increase in rates.
 9. Provide a copy of Middle Tennessee Electric bills for the period January 2008 through July 2009.
 10. Provide a detailed list of the \$125,000 in expenses incurred for the Waterbridge Certificate of Public Convenience and Necessity ("CCN"), by invoice and provider. What is Sheaffer's rationale for recovering these expenses over a 15 year period from Cartwright Creek? What is the basis upon which the Company has proceeded to defer these expenses for later recovery?
 11. Regarding Sheaffer's insurance policies that it proposes to allocate to Cartwright Creek, please provide a list of Cartwright's assets that are covered by these policies. Provide a copy of each policy and the methodology used to allocate the premiums.
 12. According to Mr. Cochrane's testimony on page 14, "Since acquiring the facility, Mr. Meyer, has led an extensive review of the facility and operations of Cartwright Creek." Please describe in detail the "extensive review" and provide copies of any reports, analyses, recommendations, etc., that were generated as a result of the review(s).
 13. What type of work is currently required from Mr. Meyer for the Waterbridge and Stillwater developments? Starting from the dates that these developments were granted Certificates of Public Convenience and Necessity, provide an itemization of time spent on each development, identifying the nature of and the dates of the work performed.
 14. Please provide copies of the monthly discharge monitoring reports to TDEC referenced by Mr. Meyer in his testimony on page 4¹, for the last 3 years.
 15. What is the estimated cost to replace the main pump station near the Cartwright Creek treatment system?
 16. What is the estimated cost to replace the treatment units?
 17. Please provide specs and plans that have been prepared by Sheaffer staff in investigating requirements to comply with changes to the current discharge permit, including invoice to Cartwright. (See data response of July 7 to Staff data request, #22 (8) for a cost of \$15,743.25).
 18. Identify the Sheaffer staff that conducted the investigation referenced in the question above.
 19. Refer to page 6 of Mr. Meyer's testimony. Other than the need for Cartwright Creek to obtain immediate funds to improve the system at Grassland, what

¹ The pages of Mr. Meyer's testimony were not numbered. Staff supplied the numbering.

- justification does the Company have for requesting a \$6,250 increase in tap fees that will be applicable to all future customers?
20. Cartwright Creek states there are 150 homes that could be brought on line in Grassland to obtain the \$1,350,000 in escrowed funds to improve the Grassland system. Are these existing homes or homes to be constructed? Please identify the location and name of subdivision or community for each home and designate whether it is a new or existing home.
 21. What is the estimated cost to Cartwright Creek to add 150 new homes to the system? Please supply an itemization of the cost to Cartwright to connect one home to the system.
 22. Has Cartwright Creek collected or been paid tap fees in the past without actually adding to its system those properties for which payment was received? If so, please identify each tap fee paid, providing the date the tap fee was paid and the location of the lot or house for which the tap fee was paid. Explain any reason(s) for not adding these properties to the system. What is Cartwright Creek's plan for providing service to these properties? State whether Cartwright Creek considers these lots or houses in its stated number of 150 homes to be added to the system.
 23. According to records provided, approximately 1000 feet of pipe was repaired for I & I problems in 2006. Have there been any repairs to the facility since 2006? If so, list the repairs made, along with the date and cost of each repair. Provide copies of any purchase orders, invoices and accounts payable vouchers related to these repairs and identify whether the repairs were paid for by Cartwright or Sheaffer?
 24. The 2008 Annual Report states that Cartwright Creek has an equivalent number of residential customers of 1575 due to I & I problems, when 909 equivalent number of customers is the maximum for the system to operate efficiently. Describe any problems Cartwright might encounter in adding 150 actual customers to the system?
 25. Will the addition of 150 customers result in an increase to the sludge removal expense? If so, has Cartwright received quotes from First Response for the additional sludge removal?
 26. Please provide a list of all capital improvements and expenses incurred since 2004. Provide supporting documentation for each expense.
 27. Please provide capital improvement information for upgrades made to the system from 1997 to 2004.
 28. If Cartwright Creek is able to obtain \$1,350,000 in funds to improve and upgrade the Grassland system, provide (1) a chronological report of what will be upgraded/repared in the system, (2) what is involved in the repair (equipment and/or labor), (3) the costs associated with the upgrade or the repair (equipment and/or labor), (4) when the anticipated repair will be scheduled. In addition, please provide a schedule of projected revenue for the 150 anticipated tap fees by month and by year.
 29. How many firm commitments has Cartwright received of the 150 expected tap fees?
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30. Please provide a detailed breakdown of the repair and maintenance expense for the years 2006, 2007 and 2008, showing the savings that were experienced by having an in-house operator and engineer.
31. Please provide copies of all contracts between Cartwright Creek and the developers of Waterbridge and Stillwater developments.
32. The Petition states the Company is requesting \$220,405, which results in a 75% increase in rates. This increase is to cover "direct operating costs."² Mr. Cochrane in his testimony reiterates that the Company currently is not seeking a return on rate base.³ Also, he states on page 6 that the Company "will continue to have a revenue deficiency of approximately \$180,000 during the attrition period." In its response to Staff Data Request No. 1 (question #3), the Company provided a calculation of the \$220,405 revenue deficiency. This calculation included \$36,068 which represents an 8% return. The note to this calculation stated "the proposed rate increase of 75% seeks a lesser amount, \$182,833 in increased revenue because the Company is not seeking the "Return on Asset Base" at this time."
- a. Please clarify the exact amount of revenue increase the Company is seeking in this rate case.
 - b. What percentage increase to current rates does this represent?
 - c. Reference the calculations found on the Company's response to Staff Data Request No. 1 (question #3). Provide the Company's calculation of the \$36,068, labeled Return on Asset Base of approx. 8%.
 - d. How did the Company arrive at an 8% return? Please provide your analysis in determining this amount of return.
 - e. Provide a price out schedule demonstrating that the rates in the Company's proposed tariff produce the requested revenue increase.
33. On page 12 of his testimony, Mr. Cochrane states the attrition period rate base is \$125,600 (line 7). Please provide the Company's rate base calculation in detail, including any relevant supporting documentation.

² Petition, paragraph 6.

³ Pre-filed testimony of Robert Cochrane, page 12, lines 17-20.