

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

IN RE:

**PETITION OF CARTWRIGHT CREEK,
L.L.C. TO CHANGE AND INCREASE
RATES AND CHARGES**

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DOCKET NO. 09-00056

**DIRECT TESTIMONY
OF
DAVE PETERS**

August 24, 2009

IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF CARTWRIGHT CREEK,
L.L.C. TO CHANGE AND INCREASE
RATES AND CHARGES

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DOCKET NO. 09-00056

AFFIDAVIT OF DAVE PETERS

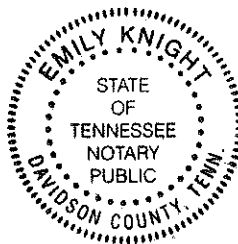
I, Dave Peters, Regulatory Analyst, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.



DAVE PETERS

Sworn to and subscribed before me
this 24th day of Aug., 2009.


NOTARY PUBLIC



My Commission Expires AUG. 23, 2011

My commission expires: Aug. 23, 2011

1 **Q. Please state your name for the record.**

2 A. My name is Dave Peters.

3
4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by the Consumer Advocate and Protection Division
6 ("CAPD") in the Office of the Attorney General for the state of
7 Tennessee ("Office") as a Financial Regulatory Analyst.

8
9 **Q. How long have you been employed as a financial professional?**

10 A. I have been employed as a finance professional in the private and
11 public sector for approximately 25 years. Before my current
12 employment with the Office, I was employed by Dell Computers as a
13 site Controller in the Dell Fulfillment and Logistics organization.
14 Formerly, I was employed with Nortel Networks in a variety of
15 financial positions, the last being as a program manager in the
16 Telecommuting program. My responsibilities included budgeting,
17 forecasting, internal controls, monthly close, balance sheet reviews
18 and extensive financial reporting to management.

19
20 **Q. What is your educational background and what degrees do you**
21 **hold?**

22 A. I have a Bachelor's degree in Business Administration from
23 Tennessee Technological University with a major in Accounting and
24 a Master's degree in Business Administration from Belmont
25 University. I am also a Tennessee Certified Public Accountant.

26
27 **Q. Would you briefly describe your responsibilities as a Regulatory**
28 **Analyst with the CAPD?**

29 A. I prepare testimony and financial exhibits in rate proceedings as an
30 employee with the CAPD. Additionally, I review tariffs filed in the

1 Tennessee Regulatory Authority ("TRA") by certificated utilities
2 operating in Tennessee.
3

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

5 A. The purpose of my testimony is to represent the forecasted financial
6 exhibits prepared by the CAPD ("Exhibit CAPD"), related
7 Appendices, and provide my exhibit ("Exhibit CAPD work papers")
8 of work papers for forecasted Operating Revenues, Operation and
9 Maintenance ("O&M") Expenses, forecasted Depreciation Expense,
10 forecasted Regulatory Expenses, Taxes Other Than Income,
11 forecasted General and Administrative Expenses, and Operating
12 Margin for Cartwright Creek, L.L.C. ("Cartwright Creek" or
13 "Company") for the adopted attrition year ended December 31, 2009.
14

15 **Q. What is a public utility?**

16 A. In the context of this case, a public utility is a business formed as a
17 shareholder-owned corporation. Even though the public utility in
18 this case is a for profit corporation, it is also important to note that
19 this public utility is:
20

21 an organization that has been designated by law as a
22 business affected with a significant public interest, and
23 that also possesses all of the following characteristics: (1)
24 The business is essentially free from direct competition,
25 i.e., it operates in a monopolistic environment; (2) The
26 business is required by law to charge rates for its services
27 that are reasonable and not unjustly discriminatory; (3)
28 The business is allowed to earn (but not guaranteed) a
29 "reasonable" profit; and (4) The business is obligated to
30 provide adequate service to its customers, on demand.¹

¹Accounting for Public Utilities, Hahne and Aliff §1.01.

1
2 **Q. Does Cartwright Creek possess these public utility characteristics?**

3 A. Yes. Cartwright Creek is a shareholder-owned public utility that has
4 been granted the advantage of operating in a monopolistic
5 environment in exchange for special obligations, namely, the
6 requirement to provide adequate service to all customers at rates that
7 are just, reasonable, and non-discriminatory. This regulatory
8 framework should guide all of the TRA's decisions in this matter.

9
10 **Q. From a regulated ratemaking perspective, what is the TRA called**
11 **upon to do in this proceeding?**

12 A. Normally, in a rate case, the TRA is asked to establish the amount of
13 revenues that the utility should collect in order to cover its reasonable
14 and necessary expenses and to reasonably compensate the utility's
15 investors for their investment in the plant and equipment necessary
16 to provide utility service to the public. However, this case involves
17 elements not found in most rate cases. Cartwright Creek has no
18 investment in plant and equipment. The plant investment has been
19 contributed to Cartwright Creek.² Consequently, there is no rate base
20 to calculate the compensation for the utility's investors. Therefore, in
21 my opinion given the absence of an investor-owned rate base it is
22 proper in this case to determine a just and reasonable operating
23 margin (Revenues minus Expenses) in order to compensate
24 Cartwright Creek.

25
26 **Q. Please explain the difference between a "Test Year" and an**
27 **"Attrition Year."**

28 A. A "test year" is a measure of a utility's financial operations and
29 investment over a specific twelve month period. It is the "raw
30 material" for developing an attrition year measure of the utility's

² 2008 Annual Report to the TRA. Page SU-1.

1 financial operations and investment (that is, the utility's Rate Base,
2 Operations and Maintenance Expense, Depreciation Expense, and
3 Taxes). Therefore, the selection of the test year is quite important:
4

5 The selection of the timing of the test year may be the
6 most significant single factor in the rate-making process.
7 The more outdated the test year levels of operations, the
8 more critical is the need for significant restatement to
9 produce representative levels of future conditions.³
10

11 An "attrition year," also known as a forecast period, is the "finished
12 product" and is to be representative of the period for any rate
13 adjustment. The attrition year can also be viewed as the first year
14 during which the TRA's rate order will be applied.
15

16 In this docket, Cartwright Creek's filing used a test year ended
17 December 2008 and an attrition year ending December 2009. CAPD
18 has used the same test year and attrition year for purposes of this
19 testimony.
20

21 **Q. Are Cartwright Creek's results audited?**

22 **A.** No. Cartwright Creek's financial statements are unaudited and the
23 CAPD does not have the authority to audit a public utility's books.
24 This testimony is based on my reliance on Cartwright Creek's
25 financial record keeping and their preparation of the financial
26 statements in this docket.
27
28

³*Accounting for Public Utilities*, Hahne and Aliff §7.03.

1 **Q. Please summarize the results of the CAPD forecast of Cartwright**
2 **Creek's earnings for the attrition year.**

3 **A.** The CAPD forecast of Cartwright Creek earnings for the attrition
4 year results in a recommended \$76,547⁴ increase in rates. This
5 translates to a rate increase of no more than 29.96% as opposed to
6 Cartwright Creek's requested increase of 75.15%. This is shown in
7 schedule 1, Revenue Deficiency. The CAPD's rate recommendation
8 is based on its projection of adjusted net operating income.
9 Cartwright Creek does not have any positive equity as of December
10 31, 2008. While the CAPD would always prefer for rates not to
11 increase, especially during these tough economic times, the statutory
12 standards indicate a rate increase is appropriate to provide a fair rate
13 of return to the Company. Additionally, Cartwright Creek's last rate
14 increase occurred in 1996, and the actual inflation factor since 1996 is
15 28.81%. The increase could be adjusted downward if an audit were
16 to uncover any issues (as alluded to earlier, the companies financials
17 are not audited).

18
19 **OPERATION AND MAINTENANCE EXPENSES:**

20
21 **Q. Please describe your forecasting methodology for Operation and**
22 **Maintenance Expenses.**

23 **A.** One key projection that must be made in determining the adjusted
24 Net Operating Income ("NOI") is the projection of all operating
25 expenses.
26
27

⁴⁴Exhibit CAPD, Schedule 1, Line 8.

1 Q. What are the significant differences between the CAPD and
2 Cartwright Creek in expenses and revenues for the forecasted
3 attrition year?

4 A. In Exhibit CAPD work papers, work paper Operation Maintenance
5 Expenses Schedule 6 provides a reconciliation of the differences in
6 the calculation of all expenses. Additionally, CAPD Income
7 Statement Schedule 5 shows the reconciliation between Cartwright
8 Creek Revenues and CAPD Revenues.

9
10 The significant differences in Expenses for the attrition year are: (1)
11 \$3,722 in Purchased Power; (2) \$1,000 in Materials & Supplies; (3)
12 \$67,906 in Plant Management; (4) \$7,800 in Rent; (5) \$10,237 in
13 Insurance; (6) \$216 in Postage; (7) and Depreciation expenses of
14 \$27,645. The total difference in expense results in a CAPD forecast
15 that is \$118,526⁵ lower than the forecasted amount of Cartwright
16 Creek.

17
18 Q. What are the issues with Cartwright Creek's forecast of Purchased
19 Power?

20 A. Cartwright Creek is forecasting \$29,929⁶ for the attrition year ended
21 December 2009 in its Purchased Power Expenses. This represents a
22 14.2% increase over actual 2008 costs. Per Cartwright Creek
23 assertions, this was adjusted from \$26,208 to \$29,929 because of an
24 anticipated Tennessee Valley Authority ("TVA") rate increase. This
25 was announced in the fall 2008 and has since been eliminated. The
26 Chattanooga Times Free-Press ran a story on August 17th that the
27 Tennessee Valley Authority is expected to cut the fuel-portion of its
28 electricity prices in October for the fourth time this year. The

⁵CAPD work paper, Index of Work Papers, Schedule 4, Line 8.

⁶CAPD work paper, Index of Work Papers, Schedule 2, Line 8.

1 combined impact of the **four successive quarterly cuts** in TVA's fuel-
2 cost adjustment will **more than offset the 20 percent** jump in power
3 rates adopted by the federal utility a year ago, according to TVA
4 officials. Therefore, the CAPD removes this expense change from
5 2008 actuals.

6
7 **Q. What are the issues with Cartwright Creek's forecast of Materials**
8 **and Supplies?**

9 A. Cartwright Creek shows Materials and Supplies for the test year of
10 \$8,161. The Company has proposed increasing this expense number
11 by \$2,000 or 24.5% in the attrition year for additional tools and
12 equipment for Mr. Reed, the on-site plant operator. The CAPD has
13 reduced this by half as we feel that, in this economic environment,
14 even increasing the amount by 12.2% (\$1,000) is high.

15
16 **Q. What are the issues with the Cartwright Creek's forecast of Plant**
17 **Management expenses?**

18 A. Cartwright Creek is showing Plant Management expenses for the
19 attrition year of \$143,048. This is primarily made up of three
20 components: the salary and benefits of the on-site plant operator,
21 contract services of Bobby Winfrey and 276.5 hours of a Sheaffer
22 engineer, Bruce Meyer. The CAPD proposes reducing Plant
23 Management expenses by 47.5% or \$67,906 and is done in two ways.
24 1st, Mr. Meyer's hours are billed to Cartwright Creek at \$185.00 per
25 hour (over the course of a year, this equates to a salary of \$384,800).
26 The CAPD believes that Sheaffer should not be adding such a
27 premium to Mr. Meyer's salary for hours worked at Cartwright
28 Creek. The CAPD has taken Mr. Meyer's actual 2008 salary (plus his
29 benefits) and used \$52.43 as a more appropriate hourly rate for
30 Cartwright Creek work. The CAPD believes this is a generous
31 amount given the current economic environment. Based on his 2008

1 hours worked of 276.5 at Cartwright Creek, this would reduce their
2 Plant Management expenses by \$36,656. Secondly, the CAPD
3 believes that with Mr. Reed on-site at the plant, there should not be
4 any need for the contract services of Mr. Winfrey. This results in an
5 additional reduction of Plant Management expenses of at least
6 \$31,250.

7
8 **Q. Please discuss your issue with Rent Expenses for Cartwright**
9 **Creek's forecast attrition year.**

10 **A.** The Company has stated that they will have to begin paying rent in
11 2010, estimated at an annual cost of \$7,800. However, this will not
12 take place until after the attrition year and thus, the CAPD has
13 eliminated this expense.

14
15 **Q. Please discuss your issue with Insurance Expenses for Cartwright**
16 **Creek's forecast attrition year.**

17 **A.** The Company has proposed Insurance expense in the attrition year of
18 \$19,805. The bulk of this (\$16,489) is an allocation of Sheaffer's total
19 annual insurance premium which is \$56,209. This equates to 29.3%.
20 The CAPD feels that a more appropriate allocation of insurance is
21 11.1% or \$6,251. This is the same percentage of Sheaffer's total
22 expenses that are directly allocated to Cartwright Creek in 2008
23 (\$191,953 of \$1,734,713). The net of these adjustments reduces
24 insurance expense in the attrition year from \$19,805 to \$9,567.

25
26 **Q. Please discuss your issue with Postage Expenses for Cartwright**
27 **Creek's forecast attrition year.**

28 **A.** The Company has proposed increasing postage in the attrition year
29 by 10.6% or \$216. This represents a 49% increase since 2007.
30 Considering the large increase in 2007, the CAPD feels that this is
31 excessive and has eliminated the \$216 increase for the attrition year.

1 **Q. Please discuss your issue with Depreciation Expenses for**
2 **Cartwright Creek's forecast attrition year.**

3 A. The Company has proposed Depreciation expenses in the attrition
4 year of \$27,645. The CAPD has eliminated this due to the fact that all
5 of the plant-in-service of the Company is contributed plant⁷.
6 Amortization of Contributions In Aid Of Construction shall be
7 credited to Account 403 depreciation expense⁸.
8

9 **Q. Please discuss your issue with Revenue for Cartwright Creek's**
10 **forecast attrition year.**

11 A. In this docket, Cartwright Creek has proposed increasing revenues
12 by 75% or approximately \$185,233. Since the last rate increase was
13 initiated in 1996, the CAPD has used the GDP chained-price deflator
14 index from 1996 to 2008 and that amounts to a revenue increase of no
15 more than 29.96%⁹. The result of this is that the CAPD recommends
16 additional revenues of \$76,547 over the test year, but \$108,686 less
17 than the Company's recommendation.
18

19 **Q. Please summarize your calculation of operating margin.**

20 A. Given current economic conditions, we believe an operating margin
21 of no more than 6.5% is a fair return¹⁰. This operating margin is
22 consistent with the margin adopted by the TRA in Docket 08-00202,
23 the only other comparable case with no rate base. The management
24 of Cartwright Creek has great discretion in determining their
25 operating expenses. Therefore, Cartwright Creek can increase the
26 operating margin by controlling operating expenses.
27

⁷ Page SU-1 of the 2008 Cartwright Creek Form M Annual Report to the TRA.

⁸ NARUC Accounting Instructions; Depreciation Expense.

⁹ CAPD Workpapers, GDP Chained Price Deflator worksheet.

¹⁰ Because this utility's plant consists primarily of customer contributed property, and the utility has little or no rate base, rates are based upon the operating ratio methodology.

1 Q. Do Cartwright Creek's rates compare favorably to neighboring
2 wastewater systems?

3 A. No. Currently, the average Cartwright Creek customer pays roughly
4 \$31.82/month. Unlike most of the neighboring wastewater systems,
5 Cartwright Creek's fees are based on the number of bedrooms in the
6 house and not on actual usage. Should Cartwright Creeks requested
7 75% rate increase be implemented under this docket, the average
8 Cartwright Creek customer would pay \$56.99/month. This result
9 would rank Cartwright 144th out of the 145 wastewater systems in all
10 of Tennessee (higher than 99.3% of all wastewater systems in
11 Tennessee) based on a monthly usage of 5,000 gallons of water
12 treated (since Cartwright Creek doesn't bill based on volume, the
13 CAPD estimates that the bulk of Cartwright's customers are 3 and 4
14 bedroom homes and would thus fall in this 5,000 gallon usage).

15
16 When compared to rates of other locally operated wastewater
17 systems, based on 5,000 gallons of treated water per month,
18 Cartwright Creek's rates are significantly higher than the rates of the
19 City of Franklin, which charges \$20.49; the City of Spring Hill, which
20 charges \$14.34 and; the Harpeth Valley Utility District, which charges
21 \$28.25.¹¹ Cartwright Creek's rates are also significantly higher than
22 the median statewide bill, which is \$23.00. If Cartwright Creek
23 receives the entire rate increase requested in this docket, the average
24 customer will pay approximately \$57.00 per month. The CAPD has
25 proposed a rate increase of no more than 29.96%, which would result
26 in a customer bill of \$41.33, based on 5,000 gallons of treated water,
27 rather than the \$57.00 customer bill under the Company's petition.

28
29 Additionally, Cartwright Creek customers do not receive a discount
30 in the summer months (other utilities do not charge sewage

¹¹ Allen & Hoshall Tennessee Water and Sewer Rate Survey, June 2008.

1 treatment for water used for watering their lawns and gardens)
2 whereas all of the neighboring systems do offer such a program. Like
3 all companies operating in this difficult economic climate, Cartwright
4 Creek needs to focus more on cost containment and less on rate relief.
5 Most companies are trimming costs to retain customers, not
6 increasing prices.

7
8 **Q. What is your proposal for Rate Design?**

9 A. As previously mentioned, Cartwright Creek does not bill based on
10 volumetric usage. The CAPD's position on customer billing and
11 usage is that billings should be based upon volumes, thus
12 encouraging conservation and providing more accurate billing.
13 Basically, the CAPD's proposed rate structure permits consumers to
14 work to reduce their bill. Specifically, the CAPD proposes a three
15 tiered volumetric rate which is similar to all other neighboring waste
16 water utilities and is a more equitable method of rate recovery for the
17 consumers. The CAPD reserves the opportunity to modify or further
18 develop its proposed new rate methodology once the CAPD receives
19 more information concerning customers by subdivision and the
20 usage by customers. Again, Cartwright Creek's last rate increase was
21 initiated in 1996.

22
23 In this docket, the CAPD's annual revenue calculation of \$76,547
24 regrettably results in almost a 30% increase compared to 2008 actual
25 regulated revenues and billed volumes. Consequently, the
26 percentage rate increase is significant and will be difficult for
27 consumers to adjust their budgets to handle. To mitigate the
28 significance of the large percentage increase in light of the current
29 economic conditions and the protracted length of time since
30 Cartwright Creek's last rate filing, the CAPD proposes a "phase-in"
31 of the rate increase over at least a two year period with no annual

1 percentage increase exceeding 50% of the increase during the two
2 year "phase-in" period. The "phase-in" proposal is consistent with
3 FAS 92 which states:
4

5some regulators have adopted phase-in plans to
6 moderate the initial rate increase. The objective of those
7 plans is to increase rates more gradually than would be
8 the case under conventional rate making, while providing
9 the utility eventual recovery of all of its allowable costs
10 and a return on investment.
11

12 Additionally, in light of the large rate increase requested and the
13 current economic environment, the CAPD recommends that the TRA
14 order Cartwright Creek to provide at least the following consumer
15 protection benefits for its ratepayers¹²: (1) the Company should be
16 required to establish a process to offer a budget re-payment plan to
17 its customers to pay for any past due amounts and any associated
18 charges; Specifically, the Company should be required to provide
19 their customers with the opportunity (and promote the budget re-
20 payment plan program) to pay the past due bill, including returned
21 check fees and other charges, disconnection and reconnection charges
22 in a payment plan with no interest over no less than a three month
23 billing cycle. The Company should be required to only require that
24 the customer pay the first installment payment in order to have
25 service restored. The Company would not be required to provide
26 customers utilizing a payment plan a second payment plan for a full
27 calendar year from the date the first initial payment plan is
28 implemented. Provided however, if a customer or household
29 member is able to demonstrate a unique financial distress situation or

¹² These consumer protection provisions are consistent with the provisions ordered in TRA Docket 08-00202 and pending in TRA Docket 09-00017 as of August 24th 2009.

1 the customer is disabled or a member of the customer's household is
2 disabled, the Company should be required to again consider
3 permitting the customer to have additional installment plan(s) during
4 the same calendar year. If a customer on a payment plan fails to pay
5 a monthly installment as per the terms of the plan and is more than
6 fifteen (15) business days late on any payment, then the customer's
7 service is subject to disconnection and all past due charges in
8 addition to disconnect/reconnect fees would be due and payable
9 prior to having service restored. The Company should be required to
10 provide all the same disconnection notices required for any
11 disconnection prior to disconnecting the customer; (2) the Company
12 should be required to provide a clear and conspicuous notice of the
13 returned check fee charge (if any) including the amount of the charge
14 on its monthly billings to consumers; (3) the Company should be
15 required to have a process to permit waiving the disconnection and
16 reconnection fees in special circumstances such as financial distress
17 or for disabled customers or customers with an unique situation; (4)
18 to require the Company to provide prompt reconnection of its
19 customers. The CAPD requests that the TRA require that the
20 Company provide prompt and timely reconnection service for all
21 customers within no more than two days of receiving the first
22 installment payment from the past due customer; (5) to require the
23 Company to use alternate address notification. The CAPD seeks that
24 the TRA require the Company to establish a process to permit and
25 notify customers of the opportunity to provide an alternate address
26 for notification of a potential disconnection. If a customer has
27 provided such an address, the Company shall be required to provide
28 the required notice of disconnection to that address in addition to the
29 customer; and (6) to require the Company to clearly and
30 conspicuously indicate on its monthly bill or other mailing to
31 customers an address or telephone number where customers can

1 lodge complaints or concerns with the Company about service,
2 billing, payment or other issues.
3

4 **Q. Please summarize your testimony.**

5 A. In summary, the CAPD recommends that the TRA order: (1)
6 Cartwright Creek to submit new tariffs that would reduce Cartwright
7 Creek's requested increase in annual rates by approximately
8 \$108,686; (2) Cartwright Creek to phase-in the rate increase over at
9 least a two year period; and (3) Cartwright Creek to establish
10 consumer protection procedures such as budget re-payment plan and
11 waive disconnection and reconnection fees for special circumstances
12 and to provide other similar protections provided ratepayers in TRA
13 Docket No. 08-00202.
14

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

16 A. Yes, it does.

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

IN RE:

**PETITION OF CARTWRIGHT CREEK,
L.L.C. TO CHANGE AND INCREASE
RATES AND CHARGES**

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DOCKET NO. 09-00056

**SCHEDULES TO
DIRECT TESTIMONY
OF DAVE PETERS**

August 24, 2009

Cartwright Creek L.L.C. TRA Docket #09-00056
Index To Schedules
Test Year Ending December 31, 2008

Revenue Deficiency	1
Comparison of Rate Making Components	2
Income Statement at Current Rates	3
Income Statement at Proposed Rates	4
Operation & Maintenance Expenses	5

Cartwright Creek L.L.C. TRA Docket #09-00056

Schedule 1

Revenue Deficiency
For 12 Months Ending December 31, 2009

Line No.		Consumer Advocate	Company	F/ Difference
	(Maintenance Expenses)			
1	Rate Base	\$0	\$0	\$0
2	Operating Income at Present Rates	(\$54,974) A/	(\$173,499) A/	\$118,526
3	Earned Rate of Return	6.50% B/	0.00%	6.50%
4	Fair Rate of Return	6.50%	8.25%	-1.75%
5	Required Operating Income	\$21,573	\$9,334	\$12,239
6	Operating Income Deficiency	\$76,547	\$185,233 C/	(\$108,686)
7	Gross Revenue Conversion Factor	0	0	0
8	Revenue Deficiency (Surplus)	\$76,547	\$185,233	(\$108,686)

Rate Increase	29.96%	75.15%
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A/
B/
C/

Schedule 3 Row 16
Schedule 2, Row 38
Schedule 2, Cell 11

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

Schedule 2

Line #		Company 2009 Proposed		ADJUSTMENTS	Consumer Advocate	
1	Residential revenues	\$189,641	A/	\$0	\$250,201	
2	Bonding Fee Surcharge	\$2,400	B/	\$0	\$2,400	
3	Commercial revenues	\$54,137	C/	\$0	\$69,732	
4	Other Revenues	\$9,359	D/	\$0	\$9,750	
5	Total Revenues	\$255,536		\$0	\$332,083	\$76,547
		\$185,233				\$0
6	Sludge removal expense	\$68,463	E/	\$0	\$68,463	
7	Purchased power	\$29,929	F/	\$3,722	\$26,208	
8	Chemicals	\$10,354	G/	\$0	\$10,354	
9	Materials & supplies	\$10,161	H/	\$1,000	\$9,161	
10	Plant Management	\$143,048	I/	\$67,906	\$75,142	47.47%
11	Accounting	\$30,400	J/	\$0	\$30,400	\$36,656
12	Repairs & Maint to plant	\$31,191	K/	\$0	\$31,191	
13	Rents	\$7,800	L/	\$7,800	\$0	
14	Transportation expenses	\$4,936	M/	\$0	\$4,936	
15	Telephone	\$1,535	N/	\$0	\$1,535	
16	Insurance expenses	\$19,805	O/	\$10,237	\$9,567	
17	Postage	\$2,260	P/	\$216	\$2,044	
18	Rate Case Expense	\$8,000	Q/	\$0	\$8,000	
19	Regulatory commission expense	\$707	R/	\$0	\$707	
20	Bad debt expense	\$500	S/	\$0	\$500	
21	Interest Exp - Smith Note	\$15,338	T/	\$0	\$15,338	
22	Bank charges	\$3,811	U/	\$0	\$3,811	
23	Miscellaneous expense	\$2,637	V/	\$0	\$2,637	
24	Industry association dues	\$520	W/	\$0	\$520	
25	Depreciation	\$27,645	X/	\$27,645	\$0	
26	Amortization exp - other	\$8,333	Y/	\$0	\$8,333	
27	Permits & Taxes other than income	\$17,000	Z/	\$0	\$17,000	
28	Interest & dividend income	(\$7,200)		\$0	(\$7,200)	
29	Total Expenses	\$ 429,035		\$ 118,526	\$ 310,510	
30	Net Operating Income (Before Taxes)	\$ 11,734		\$ (118,526)	\$ 21,573	6.50%
		\$420,897.63		\$118,525.53	\$302,372.10	\$29,710.48

Cartwright Creek L.L.C. TRA Docket #09-00056
Income Statement at Current Rates
For 12 Months Ending December 31, 2008

Schedule 3

Line No.		Consumer Advocate		Company		Difference
1	Residential revenues	\$189,641	A/	\$189,641	A/	\$0
2	Bonding Fee Surcharge	\$2,400	B/	\$2,400	B/	\$0
3	Commercial revenues	\$54,137	C/	\$54,137	C/	\$0
4	Other Revenues	\$9,359	D/	\$9,359	D/	\$0
	Total Revenue	\$255,536		\$255,536		\$0
				\$182,833		
3	Other Operating and Maintenance	\$285,177	E/	\$376,057	E/	(\$90,881)
4	Depreciation and Amort. Exp.	\$8,333	F/	\$35,978	F/	(\$27,645)
5	Permits And Taxes	\$17,000	G/	\$17,000	G/	\$0
8	Total Operating Expense	\$310,510		\$429,035		(\$118,526)
9	Net Operating Income (Before Taxes)	(\$54,974)		(\$173,499)	B/	\$118,526
		(76,547)				
A/	Schedule 2, Row 6			9,334		
B/	Schedule 2, Row 7			-		
C/	Schedule 2, Row 8					
D/	Schedule 2, Row 9					
E/	Schedule 2, Multiple Rows					
F/	Schedule 2, Rows 31 & 32					
G/	Schedule 2, Rows 33					

Cartwright Creek Consumer Advocate Rate Analysis 2009 (FINAL)

H:\CAPD\CA\Water and-or Sewer\09-00056 Cartwright Creek\Dave's Workpapers\8-24-09 filing\Cartwright Creek Consumer Advocate Rate Analysis 2009 (FINAL)

Cartwright Creek L.L.C. TRA Docket #09-00056

Schedule 4

Income Statement at Proposed Rates
For 12 Months Ending December 31, 2009

Line No.		Company Proposed Rates		Normalizing Adjustments	Consumer Advocate Proposed Rates
1	Water Service Revenues	<u>\$426,610</u>	A/	<u>\$76,155</u>	<u>\$319,933</u>
2	Miscellaneous Revenues	<u>\$11,759</u>	C/	<u>\$0</u>	<u>\$12,150</u>
3	Total Revenue	<u>\$438,369</u>		<u>\$76,155</u>	<u>\$332,083</u>
4	Operation and Maintenance	<u>\$376,057</u>	D/	<u>(\$90,881)</u>	<u>\$285,177</u>
5	Depreciation	<u>\$35,978</u>	E/	<u>(\$27,645)</u>	<u>\$8,333</u>
6	Taxes Other Than Income	<u>\$17,000</u>	F/	<u>\$0</u>	<u>\$17,000</u>
7	Total Operating Expense	<u>\$429,035</u>		<u>(\$118,526)</u>	<u>\$310,510</u>
8	Net Operating Income for Return	<u>\$9,334</u>		<u>\$194,681</u>	<u>\$21,573</u>

- A/ Cartwright Creek Income Statement Row 9 & 13
 B/ Schedule 2, Row 6 & 8
 C/ Cartwright Creek Income Statement Row 10, 14 & 15
 D/ Schedule 3, Row 11
 E/ Schedule 3, Row 12
 F/ Schedule 3, Row 13

Operation Maintenance Expenses
For 12 Months Ending December 31, 2008

<u>Line No.</u>		<u>Consumer Advocate</u>		<u>Company</u>	<u>Difference</u>
	(Maintenance Expenses)				
1	Sludge removal expense	\$68,463	A/	\$68,463	A/ \$0
2	Purchased power	\$26,208	B/	\$29,929	B/ (\$3,722)
3	Chemicals	\$10,354	C/	\$10,354	C/ \$0
4	Materials & supplies	\$9,161	D/	\$10,161	D/ (\$1,000)
5	Plant Management	\$75,142	E/	\$143,048	E/ (\$67,906)
6	Accounting	\$30,400	F/	\$30,400	F/ \$0
7	Repairs & Maint to plant	\$31,191	G/	\$31,191	G/ \$0
8	Rents	\$0	H/	\$7,800	H/ (\$7,800)
9	Transportation expenses	\$4,936	I/	\$4,936	I/ \$0
11	Total Operations Maintenance	\$255,855		\$336,282	(\$80,427)
12	Telephone	\$1,535	J/	\$1,535	J/ \$0
13	Insurance expenses	\$9,567	L/	\$19,805	L/ (\$10,237)
14	Postage	\$2,044	M/	\$2,260	M/ (\$216)
15	Rate Case Expense	\$8,000	N/	\$8,000	N/ \$0
16	Regulatory commission expense	\$707	O/	\$707	O/ \$0
17	Bad debt expense	\$500	P/	\$500	P/ \$0
18	Interest Exp - Smith Note	\$15,338	Q/	\$15,338	Q/ \$0
19	Bank charges	\$3,811	R/	\$3,811	R/ \$0
20	Miscellaneous expense	\$2,637	S/	\$2,637	S/ \$0
21	Industry association dues	\$520	T/	\$520	T/ \$0
22	Depreciation	\$0	U/	\$27,645	U/ (\$27,645)
23	Amortization exp - other	\$8,333	V/	\$8,333	V/ \$0
24	Permits & Taxes other than income	\$17,000	W	\$17,000	W \$0
25	Total Expenses	\$325,847		\$444,373	(\$118,526)