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**BEFORE
THE TENNESSEE REGULATORY AUTHORITY**

PETITION OF BERRY'S CHAPEL
UTILITY, INC. TO CHANGE AND
INCREASE RATES AND CHARGES

Docket No. 11-00198

**DIRECT TESTIMONY
of
WILLIAM H. NOVAK**

**ON BEHALF OF
THE CONSUMER ADVOCATE AND PROTECTION DIVISION
OF THE
TENNESSEE ATTORNEY GENERAL'S OFFICE**

April 23, 2012

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ATTACHMENTS

Attachment WHN-1	William H. Novak Vitae
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Attachment WHN-3	Correspondence from the City of Franklin to the CAPD in regards to reasons for an unauthorized surcharge of \$0.68 per 1,000 gallons from July 2009 to October 2009
Attachment WHN-4	Berry's Chapel Utility Billing Contract with the City of Franklin

1 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND***
2 ***OCCUPATION FOR THE RECORD.***

3 A1. My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. I am the President of WHN Consulting, a utility
5 consulting and expert witness services company.¹

6
7 ***Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND***
8 ***PROFESSIONAL EXPERIENCE.***

9 A2. A detailed description of my educational and professional background is provided
10 in Attachment WHN-1 to my testimony. Briefly, I have both a Bachelors degree
11 in Business Administration with a major in Accounting, and a Masters degree in
12 Business Administration from Middle Tennessee State University. I am a
13 Certified Management Accountant, and am also licensed to practice as a Certified
14 Public Accountant.

15
16 My work experience has centered on regulated utilities for over 30 years. Before
17 establishing WHN Consulting, I was Chief of the Energy & Water Division of the
18 Tennessee Regulatory Authority where I had either presented testimony or
19 advised the Authority on a host of regulatory issues for over 19 years. In
20 addition, I was previously the Director of Rates & Regulatory Analysis for two
21 years with Atlanta Gas Light Company, a natural gas distribution utility with
22 operations in Georgia and Tennessee. I also served for two years as the Vice
23 President of Regulatory Compliance for Sequent Energy Management, a natural

¹ State of Tennessee, Registered Accounting Firm ID 3682

1 gas trading and optimization entity in Texas, where I was responsible for ensuring
2 the firm's compliance with state and federal regulatory requirements.

3
4 ***Q3. ON WHOSE BEHALF ARE YOU TESTIFYING?***

5 A3. I am testifying on behalf of the Consumer Advocate & Protection Division
6 ("CAPD" or "the Consumer Advocate") of the Tennessee Attorney General's
7 Office.

8
9 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
10 ***PROCEEDING?***

11 A4. My testimony will support and address the CAPD's positions and concerns with
12 respect to the Lynwood Utility's ("Lynwood", "Berry's Chapel" or "the
13 Company's") Petition. Specifically, I will address the following:

- 14 i. CAPD's proposed attrition period results of operations, revenues and rate
15 base calculations;
16 ii. CAPD's proposed rate design; and
17 iii. CAPD's position on various charges that have been incorrectly charged to
18 the Company's customers.

19 The CAPD's attrition period expense calculations will be presented by Mr. Dave
20 Peters. The CAPD's proposed cost of debt calculations will be presented by Dr.
21 Chris Klein.

1 ***Q5. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION OF***
2 ***YOUR TESTIMONY?***

3 A5. I have reviewed the Company's Rate Case Application as filed on November 15,
4 2011, along with the testimony and exhibits presented with their filing. In
5 addition, I have reviewed the Company's workpapers supporting their attrition
6 period revenue requirements. I have also reviewed the Company's responses to
7 the relevant data requests submitted by the TRA as well the Company's responses
8 to CAPD's discovery requests in these same areas. Finally, I participated in two
9 separate on-site visits to the Company's office in Franklin along with other CAPD
10 Staff during which I reviewed the Company's financial records.

11
12 Based upon information obtained through this process, I developed the financial
13 work papers and exhibits to test the reasonableness of the Company's current
14 rates. I then adjusted the historical test period to compensate for the net effects of
15 all known and reasonably anticipated changes which might occur in the near term
16 future.

17

18

19 ***I. ATTRITION PERIOD RESULTS OF OPERATIONS UNDER***
20 ***CURRENT RATES***

21

22 ***Q6. MR. NOVAK, PLEASE EXPLAIN AND SUMMARIZE YOUR FINDINGS***
23 ***IN THIS CASE.***

1 A6. CAPD Exhibit, Schedule 1, details our forecast of the Company's results of
2 operations under presently approved rates. The CAPD's attrition average rate
3 base is \$1,135,068 which is equal to the Company's forecast. The CAPD's
4 attrition period operating income under present rates is \$-59,331 or \$201,254
5 more than the Company's calculation of \$-260,585. The CAPD's return on rate
6 base under present rates is -5.23% or 1,773 basis points higher than the
7 Company's return of -22.96%. The Company has requested a \$398,853 increase
8 in rates to produce an 8.90% overall return. The CAPD's analysis indicates that
9 an increase of \$152,064 in rates will be necessary to cover the Company's debt
10 cost and will result in a rate of return of 7.50%.

11

12

13 **II. ATTRITION PERIOD REVENUE UNDER CURRENT RATES**

14

15 ***Q7. MR. NOVAK, HOW DID YOU CALCULATE THE ATTRITION PERIOD***
16 ***REVENUES OF \$596,258 AS SHOWN ON CAPD EXHIBIT, SCHEDULE***
17 ***3?***

18 A7. The revenue calculations are detailed on CAPD Exhibit, Schedule 5. As shown
19 on Schedule 5, I have taken the Company's test period billing determinants for its
20 residential, commercial and special contract customers and applied the current
21 TRA approved billing rates. In addition, I have included the Company's proposed
22 attrition period inspection fee & tap fee revenue of \$3,750.² However, I did not
23 include any amount for late charges revenue since the Company does not have

² Schedule R/E of Company witness Ford.

1 approval by the TRA for this type of charge. As shown on CAPD Exhibit,
2 Schedules 3 and 5, our attrition period revenue calculations under current rates
3 produced \$596,258 which is \$2,849 more than the Company's calculation of
4 \$593,409.

5
6
7 **III. ATTRITION PERIOD RATE BASE AND DEBT COST**

8
9 ***Q8. MR. NOVAK, PLEASE EXPLAIN THE CAPD'S RATE BASE***
10 ***CALCULATION.***

11 A8. As shown on CAPD Exhibit, Schedule 2 the CAPD has adopted the Company's
12 rate base calculation of \$1,135,068. However, for a non-profit entity such a
13 Lynwood Utility, the CAPD doesn't believe that rate base is an integral part of the
14 rate case as it is for other for-profit utilities under the TRA's jurisdiction. Instead
15 of rate base, the CAPD believes that the focus needs to be placed on the
16 Company's debt cost recovery.

17
18 As shown on CAPD Exhibit, Schedule 1, the Company's debt cost is \$85,130 and
19 we have included this amount in our revenue deficiency calculations. Our
20 inclusion of a rate base schedule in this case has only been made to conform our
21 exhibits to the format traditionally presented to the TRA. Dr. Klein's testimony
22 will speak to the proper method of calculating the debt cost recovery in the
23 CAPD's case.

1

2 **Q9. DID YOUR REVIEW OF THE MATERIALS PROVIDED BY THE**
3 **COMPANY CAUSE YOU TO QUESTION THE AMOUNT OF THE**
4 **COMPANY'S DEBT COST FOR THE PERIODS RELEVANT TO THIS**
5 **RATE CASE?**

6 A9. No. We believe that the debt cost of \$85,130 shown on CAPD Exhibit 1, Schedule
7 appears to be reasonable given the debt reported on the Company's books and
8 records.

9

10 **Q10. ARE THERE ANY DEBTS SHOWN ON THE COMPANY'S BOOKS**
11 **THAT DO NOT REQUIRE A PAYMENT DURING THE ATTRITION**
12 **PERIOD RELEVANT TO THIS RATE CASE?**

13 A10. Yes. Specifically, the Company's books show two notes payable and totaling
14 \$2.4 million to John and Tyler Ring. There is one note for \$1.2 million to John
15 Ring and one for the same amount to Tyler Ring. According to the information
16 presented by the Company, payment on these notes will not begin until 2014.
17 Therefore, they have been excluded from the calculations for this rate case.

18

19 **Q11. DO THESE TWO NOTES PRESENT ANY CAUSE FOR CONCERN?**

20 A11. Yes. If these notes and their repayment were a part of this rate case, I would have
21 had questions about how the loan figures were arrived at, what was given in
22 exchange for the notes and whether it is appropriate to have their cost included in
23 the rate case.

1

2 ***Q12. HAVE THESE QUESTIONS BEEN RAISED ELSEWHERE IN THIS***
3 ***PRESENT RATE CASE?***

4 A12. No. Any amounts required to begin the payment of these notes has not been
5 included within the test period or attrition period of this rate case. Therefore the
6 CAPD does not argue this point in this current case, but instead reserves judgment
7 on this issue for any future rate cases which might include any payment on these
8 notes.

9

10

11 **IV. CAPD PROPOSED RATE DESIGN**

12

13 ***Q13. MR. NOVAK, PLEASE EXPLAIN THE CAPD'S PROPOSED RATE***
14 ***DESIGN.***

15 A13. As shown on CAPD Exhibit, Schedule 6, we have proposed a significant change
16 to the Company's existing rate design. Instead of the current minimum bill and
17 usage charge rate design, we are proposing a monthly customer charge along with
18 a three tier usage charge.

19

20 ***Q14. WHY IS THE CAPD PROPOSING SUCH A CHANGE IN RATE DESIGN***
21 ***AT THIS TIME?***

22 A14. In the Company's last rate case (Docket 09-00034) the CAPD originally proposed
23 a three tiered usage charge. Unfortunately, in the previous case we were unable to
24 obtain sufficient billing data that would allow us to propose specific rates for

1 tiered usage. In this case, the CAPD was able to obtain the Company's monthly
2 billing data for each customer from January 2008 through December 2011. This
3 data allowed us to analyze the usage characteristics for all customers and to make
4 a recommendation to the TRA on tiered customer usage.

5
6 ***Q15. PLEASE EXPLAIN THE CAPD'S PROPOSED RATE DESIGN***
7 ***STRUCTURE.***

8 A15. As shown on CAPD Exhibit, Schedule 6, we are first proposing a \$16.50 per
9 month customer charge for all customer classes. Next we are proposing a three
10 tiered usage charge for all customer classes representing the first 6,000 gallons
11 consumed per month, the next 6,000 gallons consumed per month, and then all
12 usage over 12,000 gallons per month. The usage charges that we are proposing
13 for these three tiers are \$5.00, \$10.00 and \$15.00 per 1,000 gallons respectively
14 and increase as the customer's monthly consumption increases.

15
16 ***Q16. WHY IS THE CAPD PROPOSING TO ELIMINATE THE NON-***
17 ***RESIDENTIAL AND SPECIAL CONTRACT RATES?***

18 A16. The Company only had a single non-residential customer with a minimum
19 amount of usage making a separate tariff impractical. In addition, the current
20 charges to the Company's special contract customer were less under the
21 Company's existing tariff rates than under the special contract rate which made
22 the special contract rate obsolete. Finally, combining all customer classes into a

1 single tariff structure makes the rate schedule application much simpler to
2 administer.

3
4 ***Q17. WHY ARE YOU PROPOSING THESE SPECIFIC USAGE TIERS?***

5 A17 Our analysis of the individual customer usage revealed that 6,000 gallons per
6 month represented the median usage for all customers. In other words, over the
7 four year period in our study, approximately half of all the Company's customers
8 used less than 6,000 gallons per month. In addition, our analysis showed that
9 6,000 gallons per month also represented one standard deviation from the median.
10 We therefore chose to propose a three tier usage structure consisting of the first
11 6,000 gallons per month, the next 6,000 gallons per month and then a third tier for
12 all usage over 12,000 gallons per month.

13
14 ***Q18. WHAT IS THE IMPACT OF THIS PROPOSED TARIFF CHANGE ON***
15 ***DIFFERENT CUSTOMER CLASSES?***

16 A18. Naturally, the impact of any change in volumetric rates will be dependent upon
17 each customer's consumption. As shown on CAPD Exhibit, Schedule 12, for
18 customers using 6,000 gallons per month, which is the median consumption level
19 for all customers, the billing increase under the CAPD's proposed rates will be
20 less than 3%.

21
22 Small usage customers, those with consumption of less than 1,000 gallons per
23 month, will see their bill increase from \$15.00 to \$21.50 or approximately 43%.

1 However, even this change will result in a decrease from the Company's
2 unauthorized minimum bill charge of \$25.00 which is presently in effect and
3 discussed elsewhere in my testimony.

4
5 Large usage customers, those with consumption of 15,000 gallons or more per
6 month, will see their bill increase by approximately 27%. The reason for this
7 larger increase is due to the CAPD's proposed escalating rate block structure –
8 rates increasing as monthly consumption increases. The CAPD feels that these
9 larger usage customers are causing a disproportionate increase in costs to provide
10 service. We have therefore designed a rate structure that attempts to match the
11 revenues with those customers that are causing this cost increase. In addition, the
12 CAPD's proposed rate design advances the TRA's policy goal of conservation
13 mentioned in the Order of the Company's previous rate case.³

14
15 ***Q19. WHY ARE YOU PROPOSING THAT THE COMPANY INCLUDE A***
16 ***PROVISION FOR LATE PAYMENTS IN THEIR TARIFF?***

17 A19. As shown on Item #7 of Attachment WHN-4, the Company currently has a
18 contract with the City of Franklin that already includes a late payment charge.
19 Under the Company's contract, the City of Franklin prorates any late charges
20 received between the customer's water and sewer bill and then remits the sewer
21 portion of the late payment charges to Berry's Chapel. The CAPD is
22 recommending that the TRA now recognize this contract and its related impact in
23 setting rates on a going forward basis.

³ Docket 09-00034, dated November 3, 2009, Page 13.

1
2
3 **V. BILLING ERRORS**

4
5 ***Q20. HAS THE COMPANY CORRECTLY APPLIED THE RATES IN ITS***
6 ***EXISTING TARIFF SINCE THE LAST RATE CASE?***

7 A20. No. The CAPD has found a number of instances where the Company has either
8 voluntarily or involuntarily charged incorrect rates to its customers. Furthermore,
9 the CAPD believes that the TRA needs to order the Company to refund these
10 receipts back to the individual customers that paid them with interest.
11

12 ***Q21. IN WHAT AREAS HAS THE COMPANY MISCHARGED ITS***
13 ***CUSTOMER?***

14 A21. The CAPD believes that the Company has over charged its customers by
15 \$160,521 since their last rate case through unauthorized changes to their tariff
16 rates in the following instances.

- 17 • An over collection of \$13,901 from charging an unauthorized late fee to
18 customers without approval by the TRA.
- 19 • An over collection of \$84,350 from an unauthorized billing increase of \$20
20 and \$30 per month for residential and non-residential customers respectively
21 from December 2010 through April 2011 without approval by the TRA.
- 22 • An over collection of \$5,030 from an unauthorized increase in the minimum
23 bill from \$15 to \$25 beginning in December 2010 and still in effect today
24 without approval by the TRA.

- 1 • An over collection of \$45,397 from refusal to cease the \$0.38 per 1,000
2 gallons odorization surcharge approved by the TRA in Docket 08-00060 for a
3 twelve month period.
- 4 • An over collection of \$11,843 from a \$0.68 per 1,000 gallons surcharge
5 incorrectly implemented by one of the Company's billing agents.

6

7 ***Q22. PLEASE EXPLAIN THE LATE FEE BILLING ERRORS CHARGED BY***
8 ***THE COMPANY.***

9 A22. The Company's current billing contract with the City of Franklin and its previous
10 contract with HB&TS provide for billing a late charge even though Lynwood
11 does not have a provision for late charges in its tariff. Specifically, Paragraph 7
12 of the Company's billing contract with the City of Franklin reads as follows:

13 "In the event a BCU sewer customer does not pay its sewer service
14 charges when due, CITY agrees to enforce the collection of the
15 sewer charges in the same manner as CITY enforces the collection
16 of its water service charges. Such enforcement of collection shall
17 include mailing of late notices, assessing late charges (or
18 disallowing discounts) and, when appropriate, cutting off water
19 service to that customer until such time as full payment is made by
20 that customer."⁴

21 As a result of the language contained in its billing contracts, the Company has
22 been able to circumvent its TRA approved tariff and apply late charges to
23 customers without TRA authorization. As shown on CAPD Exhibit, Schedule 7,
24 these late charges totaled over \$13,900.51 for 2010 and 2011. It is the position of
25 the CAPD that these unauthorized late fee charges need to be refunded back to the
26 Company's customers with interest.

⁴ A copy of this contract is included in Attachment WHN-4.

1

2 **Q23. PLEASE EXPLAIN THE COMPANY'S SURCHARGE OF \$20.00 AND**

3 **\$30.00 PER MONTH WITHOUT PRIOR APPROVAL BY THE TRA.**

4 A23. In November 2010, the Company notified its billing agents that it was
5 implementing a new \$20 per month customer charge for residential customers and
6 \$30 per month for non-residential customers.⁵ This charge was then implemented
7 in December 2010 and ran through April 2011. As shown on CAPD Exhibit,
8 Schedule 8 the financial impact of this unauthorized \$20 and \$30 surcharge
9 totaled \$84,350. It is the position of the CAPD that these unauthorized customer
10 charges need to be refunded back to the Company's customers with interest.

11

12 **Q24. PLEASE EXPLAIN THE COMPANY'S INCREASE IN THE MINIMUM**

13 **BILL FROM \$15 TO \$25.**

14 A24. Simultaneous with the Company's November 2010 notice to its billing agents of
15 the new \$20 and \$30 customer charges described above, the Company also
16 provided notice that it was increasing the customer's monthly minimum bill from
17 \$15 to \$25. However, this unauthorized change in the minimum bill was never
18 discontinued and is in fact still being charged today. As shown on CAPD Exhibit,
19 Schedule 9, this unauthorized increase in the minimum bill has resulted in \$5,030
20 in over charges to the Company's customers through December 2011. It is the
21 position of the CAPD that these unauthorized minimum bill charges need to be
22 refunded back to the Company's customers with interest.

23

⁵ A copy of this notice is included in Attachment WHN-2.

1 **Q25. PLEASE EXPLAIN THE COMPANY'S FAILURE TO CEASE THE**
2 **ODORIZATION SURCHARGE OF \$0.38 PER 1,000 GALLONS.**

3 A25. On April 29, 2009, the TRA approved a surcharge of \$0.38 per 1,000 gallons in
4 Docket 08-00060 to allow Lynwood to recover its deferred odor eliminations
5 costs of \$30,973.02. The language in the Commission's Order was very specific
6 and only provided for the recovery of a fixed dollar amount for a limited period of
7 time as shown below:

- 8 1. Lynwood will be allowed to recover \$30,973.02 in deferred odor
9 elimination costs over a twelve month period.
- 10 2. Based on the annual average of volumes of billed water for years 2005
11 – 2007, the average monthly surcharge per 1,000 gallons will be \$0.38
12 for twelve months.
- 13 3. At the end of the authorized twelve month period, the Company will
14 provide a full accounting to the TRA in a report filed in this docket
15 disclosing how much was collected under the surcharge. The report
16 will disclose whether the Company under or over collected. After
17 consulting with appropriate TRA Staff and the Consumer Advocate,
18 the Company will arrange for timely refunds for any over collection or
19 be permitted to recover any balance of the \$30,973.02 that was not
20 recovered.

21 On June 1, 2009, Lynwood began applying the \$0.38 per 1,000 gallon surcharge
22 to their customers. However, the Order in this case specifically states that this
23 surcharge was only to run for 12 months. As a result, the surcharge should have
24 ceased in May 2010. Instead, the Company has continued this surcharge and it is
25 still being billed to customers today. As shown on CAPD Exhibit, Schedule 10,
26 this unauthorized surcharge has resulted in \$45,697 in over charges to the
27 Company's customers from June 2010 through December 2011. It is the position
28 of the CAPD that these unauthorized odorization surcharges need to be refunded
29 back to the Company's customers with interest.

1 ***Q26. PLEASE EXPLAIN THE \$0.68 PER 1,000 GALLON SURCHARGE***
2 ***IMPLEMENTED BY THE CITY OF FRANKLIN.***

3 A26. While analyzing the Company's billing summaries, the CAPD discovered that the
4 City of Franklin had incorrectly implemented an incremental surcharge of \$0.68
5 per 1,000 gallons from July 2009 through October 2009. When the CAPD asked
6 the City of Franklin for the reasons for this change, we were ultimately told that
7 no reason could be determined. A copy of the City of Franklin's response is
8 included on Attachment WHN-3. As shown on CAPD Exhibit, Schedule 11, this
9 \$0.68 surcharge has resulted in \$11,843 in unauthorized surcharges to the
10 Company's customers. The CAPD has since learned that the City of Franklin
11 intends to refund this surcharge back to the Company. It is the position of the
12 CAPD that these unauthorized surcharges need to be refunded back to the
13 Company's customers with interest.

14
15 ***Q27. DOES THIS COMPLETE YOUR TESTIMONY?***

16 A27. Yes it does. However I reserve the right to incorporate any new information that
17 may subsequently become available.

ATTACHMENT WHN-1

William H. Novak Vitae

William H. Novak

19 Morning Arbor Place
The Woodlands, TX 77381

Phone: 713-298-1760

Email: halnovak@whnconsulting.com

Areas of Specialization

Over twenty-five years of experience in regulatory affairs and forecasting of financial information in the rate setting process for electric, gas, water and wastewater utilities. Presented testimony and analysis for state commissions on regulatory issues in four states and has presented testimony before the FERC on electric issues.

Relevant Experience**WHN Consulting – September 2004 to Present**

In 2004, established WHN Consulting to provide utility consulting and expert testimony for energy and water utilities. Complete needs consultant to provide the regulatory and financial expertise that enabled a number of small gas and water utilities to obtain their Certificate of Public Convenience and Necessity (CCN) that included forecasting the utility investment and income. Also provided the complete analysis and testimony for utility rate cases including revenues, operating expenses, taxes, rate base, rate of return and rate design for utilities in Tennessee. Assisted American Water Works Company in preparing rate cases in Ohio and Iowa. Provided commercial and industrial tariff analysis and testimony for an industrial intervenor group in a large gas utility rate case. Industry spokesman for water utilities dealing with utility commission rulemaking. Consultant for the North Carolina and Illinois Public Utility Commissions in carrying out their oversight functions of Duke Energy and Peoples Gas Light and Coke Company through focused management audits. Also provide continual utility accounting services and preparation of utility commission annual reports for water and gas utilities.

Sequent Energy Management – February 2001 to July 2003

Vice-President of Regulatory Compliance for approximately two years with Sequent Energy Management, a gas trading and optimization affiliate of AGL Resources. In that capacity, directed the duties of the regulatory compliance department, and reviewed and analyzed all regulatory filings and controls to ensure compliance with federal and state regulatory guidelines. Engaged and oversaw the work of a number of regulatory consultants and attorneys in various states where Sequent has operations. Identified asset management opportunities and regulatory issues for Sequent in various states. Presented regulatory proposals and testimony to eliminate wholesale gas rate fluctuations through hedging of all wholesale gas purchases for utilities. Also prepared testimony to allow gas marketers to compete with utilities for the transportation of wholesale gas to industrial users.

Atlanta Gas Light Company – April 1999 to February 2001

Director of Rates and Regulatory Analysis for approximately two years with AGL Resources, a public utility holding company serving approximately 1.9 million customers in Georgia, Tennessee, and Virginia. In that capacity, was instrumental in leading Atlanta Gas Light Company through the most complete and comprehensive gas deregulation process in the country that involved terminating the utility's traditional gas recovery mechanism and instead allowing all 1.5 million AGL Resources customers in Georgia to choose their own gas marketer. Also responsible for all gas deregulation filings, as well as preparing and defending gas cost recovery and rate filings. Initiated a weather normalization adjustment in Virginia to track adjustments to company's revenues based on departures from normal weather. Analyzed the regulatory impacts of potential acquisition targets.

Tennessee Regulatory Authority – Aug. 1982 to Apr 1999; Jul 2003 to Sep 2004

Employed by the Tennessee Regulatory Authority (formerly the Tennessee Public Service Commission) for approximately 19 years, culminating as Chief of the Energy and Water Division. Responsible for directing the division's compliance and rate setting process for all gas, electric, and water utilities. Either presented analysis and testimony or advised the Commissioners/Directors on policy setting issues, including utility rate cases, electric and gas deregulation, gas cost recovery, weather normalization recovery, and various accounting related issues. Responsible for leading and supervising the purchased gas adjustment (PGA) and gas cost recovery calculation for all gas utilities. Responsible for overseeing the work of all energy and water consultants hired by the TRA for management audits of gas, electric and water utilities. Implemented a weather normalization process for water utilities that was adopted by the Commission and adopted by American Water Works Company in regulatory proceedings outside of Tennessee.

Education

B.A, Accounting, Middle Tennessee State University, 1981

MBA, Middle Tennessee State University, 1997

Professional

Certified Public Accountant (CPA), Tennessee Certificate # 7388

Certified Management Accountant (CMA), Certificate # 7880

Former Vice-Chairman of National Association of Regulatory Utility Commission's Subcommittee on Natural Gas

ATTACHMENT WHN-2

**Company Notice to Billing
Agents of Unauthorized Rate
Changes**

copy to TLP

BERRY'S CHAPEL UTILITY, INC.
321 BILLINGSLEY COURT, SUITE 4
FRANKLIN, TN 37067
PHONE: 615/790-3632 FAX: 615/599-0797

Copy for Tom's Notes

November 15, 2010

RECEIVED

NOV 19 2010

H B & T S
UTILITY DIST

HB & TS UTILITY DISTRICT
505 Downs Blvd.
Franklin, TN 37064
Attn: Tom Puckett

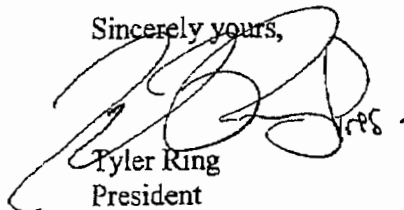
Re: Change in Rates

Based on our rate study, as of September 1, 2010, our rates are not producing enough revenue to meet the requirements as set forth in our TDEC permit.

Effective November 1, 2010, the Board has approved rates that will include a facility charge of \$20.00 per month for each residential customer. Please arrange to have this charge included in the bills rendered based on your November meter readings. There will be no change in the volume rates of \$8.35. We will mail a notice of the rate changes to each customer. A copy of this notice is attached for your information.

I appreciate your assistance in making this rate change. If you have any questions related to the above please call me at 615/790-3632 and leave a message and we will get back to you as soon as possible.

Sincerely yours,


Tyler Ring
President

2010
Change

© 2010
To Hal Novak

BERRY'S CHAPEL UTILITY, INC.**MONTHLY SEWER SERVICE BILLING****RESIDENTIAL, CONDOMINIUM, HOUSE OR APARTMENT**

Charge per 1,000 gallons

(Actual or assumed flow) \$8.35

Minimum Monthly Charge \$25.00

Facilities Charge \$20.00

③ Current
Min is \$15.1

②

NON-RESIDENTIAL

Charge per 1,000 gallons

(Actual or Assumed Flow) \$10.34

Minimum Monthly Charge \$30.00

Facilities Charge \$30.00

TAP FEES**RESIDENTIAL** \$3,500.00**NON-RESIDENTIAL**

Charge per gallon per day

(Computed by multiplying the peak monthly

Usage during the first year by 12 divided

By 365 days.) \$7.86

SEWER CONNECTION FEES**RESIDENTIAL OR NON-RESIDENTIAL** \$250.00**GENERAL FEES****Returned Check Charge** \$30.00

Issue Date: November 1, 2010

Effective Date: November 1, 2010

Copy to Hal Novak

2010
Change

Tom's Notes
Copy

BERRY'S CHAPEL UTILITY, INC.
321 BILLINGSLEY COURT, SUITE 4
FRANKLIN, TN 37067
PHONE: 615/790-3632 FAX: 615/599-0797

November 15, 2010

CITY OF FRANKLIN
109 3rd Ave.
Franklin, TN 37064
Attn: Steve Simms

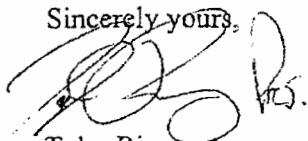
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Based on our rate study, as of September 1, 2010, our rates are not producing enough revenue to meet the requirements as set forth in our TDEC permit.

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I appreciate your assistance in making this rate change. If you have any questions related to the above please call me at 615/790-3632 and leave a message and we will get back to you as soon as possible.

Sincerely yours,



Tyler Ring
President

BERRY'S CHAPEL UTILITY, INC.
RATE CHANGE NOTICE

Based on our rate study as of September 1, 2010, we are not producing enough revenue to meet the requirements as set forth in our TDEC permit. This, along with the repairs and replacement required by the flood damages to the Treatment Plant not covered by our National Flood Insurance Plan will require an increase in our annual revenues.

Effective November 1, 2010, our rates will be adjusted by a \$20.00 per month facility charge to each customer. The volume rates will not be changed and will remain at \$8.35 per 1000 gallons of water consumed by residential customers. This charge will appear on the bill that customers receive in December, 2010. Questions related to this matter may be made to 615/790-3632 or faxed to 615/599-0797.

BERRY'S CHAPEL UTILITY, INC.

MONTHLY SEWER SERVICE BILLING

RESIDENTIAL, CONDOMINIUM, HOUSE OR APARTMENT

Charge per 1,000 gallons

(Actual or assumed flow)	\$8.35
Minimum Monthly Charge	\$25.00
Facilities Charge	\$20.00

NON-RESIDENTIAL

Charge per 1,000 gallons

(Actual or Assumed Flow)	\$10.34
Minimum Monthly Charge	\$30.00
Facilities Charge	\$30.00

TAP FEES

RESIDENTIAL \$3,500.00

NON-RESIDENTIAL

Charge per gallon per day

(Computed by multiplying the peak monthly

Usage during the first year by 12 divided

By 365 days.) \$7.86

SEWER CONNECTION FEES

RESIDENTIAL OR NON-RESIDENTIAL \$250.00

GENERAL FEES

Returned Check Charge \$30.00

Issue Date: November 1, 2010

Effective Date: November 1, 2010

received
4-25-11

BERRY'S CHAPEL UTILITY, INC.
321 BILLINGSLEY COURT, SUITE 4
FRANKLIN, TN 37067
PHONE: 615/790-3632 FAX: 615/599-0797

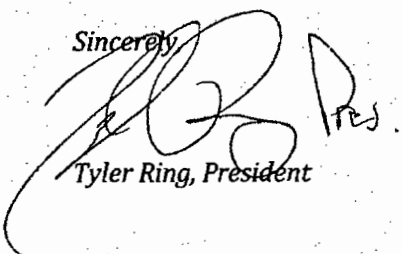
April 25, 2011

City of Franklin
109 Third Avenue South
Franklin, TN 37064
Attn: Steve Simms

Dear Steve,

The Board of Directors of Berry's Chapel Utility, Inc. has voted to suspend charging its monthly facilities charge of \$20.00 until further notice beginning with the bills rendered by you in May. Please let me know of any additional information you may need to make this change in your billing program. Berry's Chapel Utility, Inc. appreciates the billing and collection services you provide for its sewer customers which are served water by the City of Franklin.

Sincerely,



Tyler Ring, President

cc: Don Scholes

ATTACHMENT WHN-3

Acknowledgment of Billing
Error by the City of Franklin

• **Berry Chapel Rate**

3/26/12

Christy McCandless

To Hal Novak

From: **Christy McCandless** (CHRISTYM@franklin.tn.gov)

Sent: Mon 3/26/12 2:32 PM

To: Hal Novak (halnovak@whnconsulting.com)

Mr. Novak, in response to the question that you had regarding the spread sheet for the time frame of June-Sept. 2009 being off on the rate. After consulting with the previous manager and some addition research, we are unable to determine how the rate was different for that 4 month period.

ATTACHMENT WHN-4
Billing Contract with the City
of Franklin

COPY

**AGREEMENT BETWEEN
THE CITY OF FRANKLIN, TN AND BERRY'S CHAPEL UTILITY, INC.
FOR THE COLLECTION OF SEWER SERVICE CHARGES**

This Agreement is made this the 12th day of April, 2011, by and between Berry's Chapel Utility, Inc., hereinafter called "BCU" and the City of Franklin, Tennessee, hereinafter called "CITY", which in consideration of mutual promises and covenants made herein, agree as follows:

WHEREAS, CITY entered into a contract with Lynwood Utility Company, Inc. dated December 14, 1999 as amended June 19, 2007, to bill and collect Lynwood's sewer service charges from Lynwood's customers who also receive water service from the City, and

WHEREAS, Lynwood merged with Berry's Chapel Utility, Inc. with Berry's Chapel Utility, Inc. being the surviving corporation; and

WHEREAS, CITY and BCU wish to continue the relationship previously established by CITY and Lynwood.

NOW THEREFORE, in light of the recitals, which are incorporated herein by reference, and the promises herein contained that CITY and BCU, in consideration of the premises and of the mutual covenants herein set forth, do mutually agree as follows:

1. BCU operates a Central Sewerage and wastewater collection system within an area in which CITY provides water service. BCU has requested and CITY has agreed to bill and collect sewer service charges for BCU from its customers who receive water service from CITY.
2. BCU will provide its sewer service rate schedule to CITY in writing, as amended from time to time, thirty (30) days in advance of its effective date to allow CITY time to modify its computer billing system.
3. CITY will supply to BCU any changes to CITY's billing policies or related fees that would affect BCU's sewer customers sixty (60) days in advance of the effective date to allow BCU time to modify its rules and regulations and fees and charges, if necessary.
4. Upon request, CITY will provide to BCU a listing of BCU's customers who receive water service from CITY, together with each customer's monthly water consumption, for purposes of establishing and monitoring BCU's sewer service rates.
5. BCU's sewer service rate schedule shall in all cases be multiplied by the quantity of water billed by CITY in the current billing cycle for water service, inclusive of any meter adjustments or other adjustments for current or prior billing cycles, consistent with CITY's normal policies and procedures for such adjustments, and exclusive of any sales taxes on such water service. Water provided by the City through a separately metered "irrigation" meter is excluded for purposes of applying the sewer service charge. CITY shall compute and bill to each of BCU's sewer customers for the resulting sewer service charge.
6. CITY will render combined statements for its water service charges and BCU's sewer service charges in accordance with CITY's normal billing cycle(s). CITY will cause to be printed on its billing statement the name, address and telephone number of the BCU office and BCU's sewer

customers will be instructed to contact BCU directly concerning complaints and maintenance of the sewer system.

7. In the event a BCU sewer customer does not pay its sewer service charges when due, CITY agrees to enforce the collection of the sewer charges in the same manner as CITY enforces the collection of its water service charges. Such enforcement of collection shall include mailing of late notices, assessing late charges (or disallowing discounts) and, when appropriate, cutting off water service to that customer until such time as full payment is made by that customer. CITY shall be entitled to retain one hundred (100%) of all water cut off and reconnection charges assessed and collected from BCU's sewer customers as a result of non-payment or other breach of contract.
8. On or before the twentieth (20th) day of each month, CITY will deliver to BCU the gross amount CITY has collected from BCU's sewer customers for BCU sewer services through the last day of the previous month, less a service fee equal to seven and one-half percent (7.5%) of the gross amount collected, which sum shall be retained as the sole and separate property of CITY for providing the services agreed upon in this Agreement.
9. CITY will provide to BCU with its monthly remittance one or more monthly reports which show for each BCU customer the customer's account number, the customer's name, the service address and the amounts billed and/or collected on behalf of BCU for sewer service charges. The totals per this report(s) shall equal the gross amount due BCU in accordance with this contract. It shall be the responsibility of BCU to reconcile the monthly report to its records and to notify CITY of any billing discrepancies discovered on a timely basis.
10. BCU shall pay to CITY the full cost for setup and programming of CITY's billing system necessary to implement this agreement.
11. CITY will refer to BCU any inquiries regarding new sewer service in BCU's area of service. BCU will determine if a new sewer customer will be accepted for connection to its sewer and wastewater collection system. If accepted, BCU will collect the appropriate sewer tap fees, connection fees and/or inspection fees and will provide the new sewer customer with a receipt and authorization form.
12. CITY and BCU may establish a combined application and contract form for water and sewer service. CITY may accept applications and contracts on behalf of BCU for any transfers of existing sewer service. CITY may accept applications and contracts for new sewer service only upon presentation of a valid receipt and authorization form for new sewer service. CITY shall maintain in its files copies of all such applications and contracts for new & transferring customers. Upon termination of this contract, or upon request from time to time by BCU, CITY will supply BCU with copies of such applications and contracts. CITY shall retain one hundred percent (100%) of its application & connection fees for new & transferring customers.
13. CITY shall have no duty to repair or maintain any portion of BCU's sewer system except by separate agreement between the parties.
14. The parties agree to cooperate fully in exchanging information and implementing procedures to fully implement the intent of this contract. BCU shall have access to the books of CITY concerning the administration of this contract from time to time as BCU sees fit upon reasonable notice to CITY of its intent to do so.

15. Before CITY incorporates BCU'S sewer service rates, rules and regulations in its billing as contemplated herein, BCU shall obtain the approval of the Tennessee Regulatory Authority ("TRA") of a revised tariff incorporating such rates, rules and regulations and shall notify CITY in writing upon receipt of such approval provided BCU is subject to regulation by the TRA.
16. If BCU is subject to regulation by the TRA, and in the event CITY receives an order and notice from the TRA that the Authority has suspended or revoked BCU's certificate of public convenience and necessity to operate sewer utility pursuant to Authority Rule 1220-4-13-.09, CITY shall withhold administrative fees and charges authorized by this Agreement, then pay all remaining sewer service charges collected for BCU after the receipt of the order and notice to the TRA, a court appointed receiver or other entity or person whom the TRA directs which entity or person shall be responsible for continuing the operation of BCU's sewer system.
17. BCU shall indemnify and hold harmless CITY from and against any and all claims related to the CITY'S obligation to pay sewer charges to the TRA, a court appointed receiver or other entity or person to whom the TRA directs which entity or person shall be responsible for continuing the operation of BCU'S sewer system.
18. This Agreement may be terminated by either party by the giving of ninety (90) days written notice to the other party.

WITNESS the execution hereof this day and date first above written.

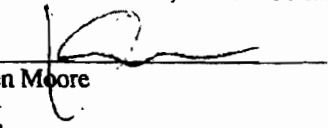
BERRYS CHAPEL UTILITY, INC.

By:


Tyler L. Ring
President

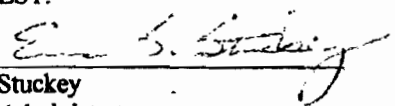
CITY OF FRANKLIN, TENNESSEE

By:


Dr. Ken Moore
Mayor
109 3rd Avenue South
Franklin, TN 37064

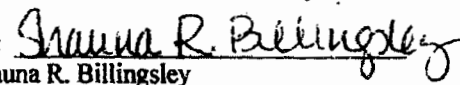
ATTEST:

By:


Eric Stuckey
City Administrator

Approved as to form:

By:


Shauna R. Billingsley
City Attorney

LAW DEPARTMENT

Shauna R. Billingsley, Esq.
City Attorney
Also Licensed in Texas



**HISTORIC
FRANKLIN
TENNESSEE**

April 18, 2011

VIA REGULAR MAIL

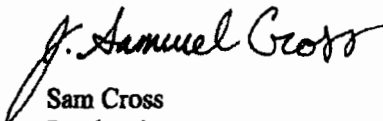
Donald L. Scholes
Branstetter, Stranch & Jennings, PLLC
227 Second Avenue North
Fourth Floor
Nashville, Tennessee 37201-1631

Re: *Agreement between the City of Franklin, TN and Berry's Chapel Utility, Inc. for the Collection of Sewer Service Charges*

Dear Mr. Scholes,

Please find enclosed the fully executed original regarding the above referenced agreement. Should you need anything further or have any questions, please do not hesitate to contact us.

Yours truly,


Sam Cross
Paralegal

Enclosure

PETITION OF BERRY'S CHAPEL UTILITY, INC. TO CHANGE AND INCREASE RATES AND CHARGES

EXHIBITS
of
WILLIAM H. NOVAK

ON BEHALF OF
THE CONSUMER ADVOCATE AND PROTECTION DIVISION
OF THE
TENNESSEE ATTORNEY GENERAL'S OFFICE

April 23, 2012

**Lynwood Utility
Results of Operations**

CAPD Exhibit
Schedule 1

Line No.	Item	Company	CAPD	Difference
1	Rate Base	\$1,135,068 A/	\$1,135,068 A/	\$0
2	Operating Income at Present Rates	<u>-260,585 B/</u>	<u>-59,331 B/</u>	<u>201,254</u>
3	Earned Rate of Return	-22.96%	-5.23%	17.73%
4	Fair Rate of Return	<u>8.90% C/</u>	<u>7.50% D/</u>	<u>-1.40%</u>
5	Fair Return	<u>\$101,175</u>	<u>\$85,130</u>	<u>-\$16,045</u>
6	Operating Income Deficiency	-\$361,760	-\$144,461	\$217,299
7	Revenue Conversion Factor	<u>1.1025 C/</u>	<u>1.0526 E/</u>	<u>-0.0499</u>
8	Revenue Deficiency	<u>-\$398,853</u>	<u>-\$152,064</u>	<u>\$246,789</u>

A/ CAPD Exhibit, Schedule 2.

B/ CAPD Exhibit, Schedule 3.

C/ Company Exhibit, Schedule A.

D/ Klein Testimony and Exhibits.

E/ Billing expense of 3.2% (Franklin portion only) + 1.8% bad debt expense = 5.0%. $1/(1 - 0.05) = 1.0526$.

**Lynwood Utility
Rate Base**

CAPD Exhibit
Schedule 2

Line No.	Item	Company	CAPD	Difference
Additions:				
1	Utility Plant in Service	\$3,403,038	\$3,403,038	\$0
2	Deferred Debits & Deposits	297,358	297,358	0
3	Working Capital	95,148	95,148	0
4	Total Additions	\$3,795,544	\$3,795,544	\$0
Deductions:				
5	Accumulated Depreciation	\$2,144,174	\$2,144,174	\$0
6	Contributions in Aid of Construction	516,302	516,302	0
7	Total Deductions	\$2,660,476	\$2,660,476	\$0
8	Rate Base	\$1,135,068	\$1,135,068	\$0

SOURCE: Company Exhibit, Schedule B.

Lynwood Utility
Operating Income at Present Rates

CAPD Exhibit
Schedule 3

Line No.	Item	Company A/	CAPD	Difference
1	Revenues	<u>\$593,409</u>	<u>\$596,258 B/</u>	<u>\$2,849</u>
	Operating Expenses:			
2	Purchased Wastewater	\$6,620	\$7,462 C/	\$842
3	Sludge Removal	55,269	39,691 C/	-15,578
4	Purchased Power	70,405	62,171 C/	-8,234
5	Chemicals	45,709	44,093 C/	-1,616
6	Materials & Supplies	58,379	21,731 C/	-36,648
7	Engineering Inspections	2,846	4,027 C/	1,181
8	Testing	31,258	14,326 C/	-16,932
9	Repairs & Maintenance	53,396	49,404 C/	-3,992
10	Operations Management	64,644	56,001 C/	-8,643
11	Billing and Collection Fees	43,509	35,559 C/	-7,950
12	Bad Debt Expenses	10,681	6,868 C/	-3,813
13	Accounting and Bookkeeping	19,499	16,274 C/	-3,225
14	Tax Accounting	9,979	857 C/	-9,122
15	Accounting - Other	11,494	8,670 C/	-2,824
16	Legal	33,235	12,695 C/	-20,540
17	Management	0	0 C/	0
18	Rent	12,000	10,000 C/	-2,000
19	Insurance	31,042	16,547 C/	-14,495
20	Other Misc. Expenses	48,613	18,409 C/	-30,204
21	Taxes Other Than Income Taxes	29,902	41,040 C/	11,138
22	Regulatory Expenses	70,398	14,333 C/	-56,065
23	Depreciation & Amortization, Net	145,116	145,116 C/	0
24	Amortization of Flood Control Costs	0	30,315 C/	30,315
25	Total Operating Expenses	<u>\$853,994</u>	<u>\$655,589</u>	<u>-\$198,405</u>
26	Net Operating Income	<u>-\$260,585</u>	<u>-\$59,331</u>	<u>\$201,254</u>

A/ Company Exhibit, Schedule R/E.
B/ CAPD Exhibit, Schedule 5.
C/ Peters Testimony & Exhibits.

Lynwood Utility
Operating Income at Proposed Rates

CAPD Exhibit
Schedule 4

Line No.	Item	Company	CAPD	Difference
1	Revenues	\$992,262	\$748,322	-\$243,940
	Operating Expenses:			
2	Purchased Wastewater	\$6,620	\$7,462	\$842
3	Sludge Removal	55,269	39,691	-15,578
4	Purchased Power	70,405	62,171	-8,234
5	Chemicals	45,709	44,093	-1,616
6	Materials & Supplies	58,379	21,731	-36,648
7	Engineering Inspections	2,846	4,027	1,181
8	Testing	31,258	14,326	-16,932
9	Repairs & Maintenance	53,396	49,404	-3,992
10	Operations Management	64,644	56,001	-8,643
11	Billing and Collection Fees	73,423	40,425 A/	-32,998
12	Bad Debt Expenses	17,860	9,605 B/	-8,255
13	Accounting and Bookkeeping	19,499	16,274	-3,225
14	Tax Accounting	9,979	857	-9,122
15	Accounting - Other	11,494	8,670	-2,824
16	Legal	33,235	12,695	-20,540
17	Management	0	0	0
18	Rent	12,000	10,000	-2,000
19	Insurance	31,042	16,547	-14,495
20	Other Misc. Expenses	48,613	18,409	-30,204
21	Taxes Other Than Income Taxes	29,902	41,040	11,138
22	Regulatory Expenses	70,398	14,333	-56,065
23	Depreciation & Amortization, Net	145,116	145,116	0
24	Amortization of Flood Control Costs	0	30,315	30,315
25	Total Operating Expenses	\$891,087	\$663,192	-\$227,895
26	Net Operating Income	\$101,175	\$85,130	-\$16,045

A/ Includes an incremental 3.2% of revenue deficiency for increased bad debt expense.

B/ Includes an incremental 1.8% of revenue deficiency for increased billing and collecting expense.

SOURCE: CAPD Exhibit, Schedules 1 and 3.

Lynwood Utility
CAPD Revenue Calculation at Current Rates

CAPD Exhibit
Schedule 5

Line No.	Item	Determinant	Current Rates	Current Revenues
Residential:				
Customer Charges:				
1	Minimum Bill Customer Charges	473	\$15.00	\$7,095
2	Non-Minimum Bill Customer Charges	9,690	0.00	0
3	Total Residential Customer Charges	10,163		\$7,095
Consumption Charges:				
4	Minimum Bill Consumption Charges (Gallons)	363,970	\$0.00	\$0
5	Non-Minimum Bill Consumption Charges (Gallons)	72,058,075	7.97	574,303
6	Total Residential Consumption Charges	72,422,045		\$574,303
7	Total Residential Revenues			\$581,398
Non-Residential:				
Customer Charges:				
8	Minimum Bill Customer Charges	0	\$20.00	\$0
9	Non-Minimum Bill Customer Charges	12	0.00	0
10	Total Non-Residential Customer Charges	12		\$0
Consumption Charges:				
11	Minimum Bill Consumption Charges (Gallons)	0	\$0.00	\$0
12	Non-Minimum Bill Consumption Charges (Gallons)	42,000	9.96	418
13	Total Non-Residential Consumption Charges	42,000		\$418
14	Total Non-Residential Revenues			\$418
Special Contract:				
15	Customer Charge	12	\$891.00	\$10,692
16	Consumption Charge	1,189,000	0.00	0
17	Total Special Contract Revenues			\$10,692
Other Revenue:				
18	Inspection Fees & Tap Fees			\$3,750
19	Late Charges			0
20	Total Special Contract Revenues			\$3,750
21	Total Revenues at Current Rates			\$596,258
22	Total Bills	10,187		
23	Total Consumption (Gallons)	73,653,045		

SOURCE: CAPD Revenue Workpaper R-1-1.00.

Lynwood Utility
CAPD Revenue Calculation at Proposed Rates

CAPD Exhibit
Schedule 6

Line No.	Item	Determinant	Current Rates	Current Revenues
1	Customer Charge Revenue (All Customer Classes)	<u>10,187</u> A/	\$16.50	<u>\$168,086</u>
	Consumption Charge Revenue (All Customer Classes)			
2	First 6,000 Gallons/Month	47,874,479 A/	\$5.00	\$239,372
3	Next 6,000 Gallons/Month	11,813,948 A/	10.00	118,139
4	Over 12,000 Gallons/Month	<u>13,964,617</u> A/	15.00	<u>209,469</u>
5	Total Consumption Charge Revenue	<u>73,653,045</u>		<u>\$566,981</u>
	Other Revenue:			
6	Inspection Fees & Tap Fees			\$3,750 B/
7	Late Charges			<u>9,394</u> B/
8	Total Other Revenue			<u>\$13,144</u>
9	Total Proposed Revenues			<u>\$748,211</u>
10	Total Revenue Requirement			<u>\$748,322</u>
11	Difference			<u>-\$112</u>

A/ CAPD Exhibit, Schedule 5.

B/ Company Exhibit, Schedule R/E.

Lynwood Utility
CAPD Calculation of Company's Late Fee Billing Charges

CAPD Exhibit
Schedule 7

Line No.	Month	City of Franklin	HB&TS	Total
1	January 2010	\$272.72	\$384.30	\$657.02
2	February	174.24	291.48	465.72
3	March	233.91	380.08	613.99
4	April	275.01	374.06	649.07
5	May	157.56	361.90	519.46
6	June	307.37	229.64	537.01
7	July	351.99	384.09	736.08
8	August	355.12	412.93	768.05
9	September	677.41	348.51	1,025.92
10	October	602.11	332.02	934.13
11	November	455.87	474.23	930.10
12	December	423.61	314.68	738.29
13	January 2011	465.45	206.90	672.35
14	February	390.74	57.78	448.52
15	March	350.88	244.99	595.87
16	April	241.25	0.00	241.25
17	May	284.79	0.00	284.79
18	June	196.73	0.00	196.73
19	July	234.19	0.00	234.19
20	August	412.50	0.00	412.50
21	September	479.94	0.00	479.94
22	October	523.78	0.00	523.78
23	November	555.76	0.00	555.76
24	December	679.99	0.00	679.99
25	Total	<u>\$9,102.92</u>	<u>\$4,797.59</u>	<u>\$13,900.51</u>

SOURCE: Company response in Attachment #7 to CAPD follow-up data request.

Lynwood Utility
CAPD Calculation of Unauthorized \$20 & \$30 monthly rate charge

CAPD Exhibit
Schedule 8

Line No.	Item	Customers Billed			
		HB&TS	Franklin	MVUD	Total
Residential:					
1	December 2010	482	350	7	839
2	January 2011	483	352	7	842
3	February	483	352	7	842
4	March	484	353	7	844
5	April	484	352	7	843
6	Total Residential Bills Overcharged	2,416	1,759	35	4,210
7	Residential Overcharge Rate	\$20	\$20	\$20	\$20
8	Residential Overcharge Amount	\$48,320	\$35,180	\$700	\$84,200
Non-Residential:					
9	December 2010	0	1	0	1
10	January 2011	0	1	0	1
11	February	0	1	0	1
12	March	0	1	0	1
13	April	0	1	0	1
14	Total Non-Residential Overcharge	0	5	0	5
15	Non-Residential Overcharge Rate	\$30	\$30	\$30	\$30
16	Non-Residential Overcharge Amount	\$0	\$150	\$0	\$150
17	Total Overcharge Amount	\$48,320	\$35,330	\$700	\$84,350

SOURCE: Company Billing Summaries.

Lynwood Utility
CAPD Calculation of Unauthorized Minimum Bill Increase from \$15 to \$25

CAPD Exhibit
Schedule 9

Line No.	Item	Customers Billed			Total
		HB&TS	Franklin	MVUD	
1	December 2010	\$90	\$210	\$0	\$300
2	January 2011	150	310	0	460
3	February	110	180	0	290
4	March	160	430	0	590
5	April	120	270	0	390
6	May	110	320	0	430
7	June	130	350	0	480
8	July	90	340	0	430
9	August	90	230	0	320
10	September	90	170	0	260
11	October	90	370	0	460
12	November	80	260	0	340
13	December	100	180	0	280
14	Total Minimum Bill Overcharge	<u>\$1,410</u>	<u>\$3,620</u>	<u>\$0</u>	<u>\$5,030</u>

SOURCE: Company Billing Summaries.

Lynwood Utility
CAPD Calculation of Unauthorized Odorization Surcharge of \$0.38/1,000 Gallons

CAPD Exhibit
Schedule 10

Line No.	Item	Usage ('000 Gallons)			Total
		HB&TS	Franklin	MVUD	
Authorized Surcharge Period:					
1	June 2009	2,714	2,490	74	5,278
2	July	3,103	3,482	74	6,658
3	August	3,005	5,980	83	9,068
4	September	3,096	3,943	54	7,092
5	October	2,352	4,012	51	6,415
6	November	2,321	2,493	40	4,854
7	December	2,376	2,291	123	4,790
8	January 2010	2,935	2,176	46	5,158
9	February	2,822	2,104	37	4,963
10	March	2,194	2,051	40	4,285
11	April	2,493	1,486	40	4,019
12	May	2,818	2,640	40	5,498
13	Total Surcharge Period Usage	32,228	35,148	702	68,079
14	Surcharge Rate	\$0.38	\$0.38	\$0.38	\$0.38
15	Authorized Surcharge Collection	\$12,247	\$13,356	\$267	\$25,870
Unauthorized Surcharge Period:					
16	June 2010	2,482	2,780	43	5,304
17	July	3,208	3,906	56	7,170
18	August	2,925	4,892	81	7,899
19	September	2,745	4,739	80	7,565
20	October	3,299	3,672	68	7,039
21	November	2,511	4,698	96	7,304
22	December	2,462	3,076	46	5,584
23	January 2011	2,082	1,933	46	4,061
24	February	2,733	2,572	47	5,352
25	March	1,917	1,565	43	3,524
26	April	2,755	1,776	48	4,579
27	May	2,548	2,102	55	4,705
28	June	2,880	2,209	68	5,158
29	July	2,549	4,468	24	7,041
30	August	2,987	5,078	110	8,175
31	September	3,651	5,323	64	9,038
32	October	2,858	5,231	75	8,164
33	November	2,635	4,243	41	6,919
34	December	2,660	2,981	36	5,677
35	Total Surcharge Period Usage	51,886	67,243	1,127	120,256
36	Surcharge Rate	\$0.38	\$0.38	\$0.38	\$0.38
37	Unauthorized Surcharge Collection	\$19,717	\$25,552	\$428	\$45,697

SOURCE: Company Billing Summaries.

Lynwood Utility
CAPD Calculation of Unauthorized Surcharge of \$0.68/1,000 Gallons

CAPD Exhibit
Schedule 11

Line No.	Item	Franklin Usage
	Residential & Non-Residential Usage ('000 Gallons):	
1	July 2009	3,482
2	August	5,980
3	September	3,943
4	October	4,012
5	Total Usage	17,417
6	Surcharge Rate	\$0.68
7	Unauthorized Surcharge Collection	\$11,843

SOURCE: Company Billing Summaries.

Lynwood Utility
CAPD Calculation of Proposed Rate Design Impact

CAPD Exhibit
Schedule 12

Line No.	Item	Current Rates	Proposed Rates	Difference	Percentage Change
Rate Structure:					
1	Minimum Bill	\$15.00 A/	N/A		
2	Customer Charge	N/A	\$16.50 B/		
3	Special Contract Rate	\$891.00 A/	N/A		
4	First 6,000 Gallons per Month per 1,000 Gallons	\$7.97 A/	\$5.00 B/		
5	Next 6,000 Gallons per Month per 1,000 Gallons	7.97 A/	10.00 B/		
6	Over 12,000 Gallons per Month per 1,000 Gallons	7.97 A/	15.00 B/		
Rate Change Impact:					
Small Usage Customer:					
7	1,000 Gallons per Month	\$15.00	\$21.50	\$6.50	43.33%
Medium Usage Customer:					
8	6,000 Gallons per Month	\$47.82	\$46.50	-\$1.32	-2.76%
Large Usage Customer:					
9	15,000 Gallons per Month	\$119.55	\$151.50	\$31.95	26.73%
Special Contract Customer:					
10	Walnut Grove Elementary School (Avg Usage = 103,146 Gallons per Month)	\$891.00	\$1,471.50	\$580.50	65.15%

A/ CAPD Exhibit, Schedule 5.
B/ CAPD Exhibit Schedule 6.