

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

IN RE:

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

DOCKET NO. 11-00198

**SUPPLEMENTAL TESTIMONY
OF
DAVE PETERS**

June 5, 2012

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

2 **A.** Dave Peters, CPA, Financial Regulatory Analyst, Consumer Advocate and
3 Protection Division, State of Tennessee Attorney General's Office.
4

5 **Q. Are you the same person who filed direct pre-filed testimony in this Docket?**

6 **A.** Yes.
7

8 **Q. What is the purpose of your supplemental testimony in this proceeding?**

9 **A.** After I filed my pre-filed direct testimony in this Docket on April 23, 2012, the
10 Consumer Advocate continued to meet with representatives of Berry's Chapel
11 Utilities, Inc. (BCUI) in order to see if BCUI could provide more of the
12 information that the Consumer Advocate had requested back in January of 2012.
13 We met at the offices of the TRA on May 9, 2012, and at that meeting Mr. James
14 Ford of BCUI provided additional information about certain expense categories.
15 These included several categories that I had disallowed in my original pre-filed
16 direct testimony because BCUI had not provided sufficient documentation to
17 verify those expenses. BCUI subsequently filed these documents into the record
18 in this Docket on May 25th.

19 I have now reviewed all of those materials and have examined the subsequent
20 explanation of those expense items in Mr. Ford's rebuttal testimony. Based on
21 this additional information that was not available to me when I filed my pre-filed
22 direct testimony, I have made certain adjustments adding back certain expenses
23 that I previously disallowed. Those adjustments are spelled out in detail in my
24 supplemental testimony. I want to reiterate that my changes are based only on
25 the additional information provided since April 23 and that I believe that my
26 positions stated in my pre-filed direct testimony are correct based on the
27 information I had been provided by BCUI at the time it was filed.
28

1 Q. Aside from these adjustments, do you have any corrections to make to your
2 original pre-filed direct testimony?

3 A. I do have one correction. It is to the portion of my testimony having to do with
4 recovery of expenses with the May 2010 flood damage. There was an error of
5 \$599 and that is explained in detail in my supplemental testimony.
6

7 Q. What are the changes to your original testimony based on the additional
8 materials provided by BCUI?

9 A. There are 4 adjustments to operating expenses that need to be made. Two of the
10 changes are made as a result of new information provided by Mr. Ford at a
11 meeting at the TRA on May 9th and filed into the record in this Docket on May
12 25th and 2 are based on additional research after reviewing Mr. Ford's rebuttal
13 testimony. The 4 changes are as follows:
14

- 15 • **Insurance** – Account 750 – Specifically, the Life Insurance policies on John and
16 Tyler Ring were excluded in my original testimony. At the May 9th meeting, Mr.
17 Ford provided additional documents that showed the beneficiary of these
18 policies was Berry's Chapel Utility, Inc. (BCUI). Based on this new information,
19 the CAPD has added back the cost of these policies, \$10,049 for John Ring and
20 \$784 for Tyler Ring.
- 21 • **Materials & Supplies** – Account 736.3 – Specifically, the CAPD excluded an
22 expense for Spectrum Partners LTD in the amount of \$1,648 based on the fact
23 that this appeared to be a non-recurring expense. Again, at the May 9th meeting,
24 Mr. Ford explained that this expense was for filters which were used only once
25 and disposed of. As this is an ongoing expense, the CAPD has added this
26 expense back.
- 27 • **Rent** – Account 740.1 – In my original testimony of April 23rd, I proposed rent
28 expense of \$10,000 or half of the total rent expense of the BCUI offices. Mr. Ford

1 wanted 60%, or \$12,000 allocated to BCUI. When I looked further into this, I saw
2 that the final rent expense in the Lynwood 09-00034 docket was \$10,344. Based
3 on this information the CAPD has increased rent expense for BCUI by \$344 to
4 agree with the amount awarded in the 09 docket.

- 5 • **Regulatory Expense – Account 745.1** – In Mr. Ford's rebuttal testimony, he lists
6 \$14,000 as regulatory expenses that the CAPD did not include. This consisted of
7 several different types of ongoing regulatory expenses that total up the \$14,000
8 figure. However, an examination of this account in the BCUI P&L shows the
9 only regulatory expense that was actually paid in 2011 was an expense of \$2,529
10 to the TRA. There were no other payments made for any other types of
11 regulatory expenses, nor was there any accruals made for these expenses. Based
12 on this information, the CAPD has added back \$2,529 to this category.

13
14 **Q. What is the correction you would like to make to your original testimony?**

15 **A.** The one correction is in schedule 23 from my original testimony regarding Flood
16 Damage. There is a calculation error in the Summary Expense Report section of
17 Schedule 23. In my original testimony, I showed the difference between the
18 CAPD and BCUI of \$2,357.68 (BCUI \$26,729 vs. CAPD \$24,372). In my original
19 testimony, the breakdown of this difference was based on Legal, Meals, and Fuel
20 expenses of \$1,437.50, \$680.70, \$838.49 respectively. However, when you add
21 these up, it comes to \$2,956.69 instead of \$2,357.68, a difference of \$599.01. When
22 you make the changes to the schedule 23 and divide it by 3 (3 year amortization
23 period), it changes my original flood damage expense for the attrition year from
24 \$30,315 down to \$30,115.

25
26 **Q. Are there any exhibits to go with this testimony?**

27 **A.** Yes, there are 2. The first is a new summary of total expenses and the second
28 shows the changes and/or correction to the individual line items

1 Q. Does this conclude your supplementation to your previously submitted
2 testimony of 4-23-2012?

3 A. Yes, it does.

**Berry's Chapel Utility
Index to Schedules
For the 12 Months Ending December 31, 2011**

	<u>Schedule No.</u>
Opex Categories Comparison	1
Individual Categories	2

Berry's Chapel TRA Docket 11-00198
Comparison of Rate Making Components
Company vs. Consumer Advocate

Schedule 1 - Supplemental Testimony

Line #	Expense Category		TRA Final Order 09-00034		Lynwood Petition 11-00198		Lynwood 2011 Actuals P&L		CAPD 11-00198 2011 P&L
1	Purchased Wastewater	A/	\$2,551	B/	\$6,620	C/	\$7,316	D/	\$7,462
2	Sludge Removal	A/	\$34,617	B/	\$55,269	C/	\$51,980	D/	\$39,691
3	Purchased Power	A/	\$52,328	B/	\$70,405	C/	\$60,553	D/	\$62,171
4	Chemicals	A/	\$42,450	B/	\$45,709	C/	\$43,228	D/	\$44,093
5	Materials & Supplies	A/	\$20,502	B/	\$58,379	C/	\$39,232	D/	\$23,379
6	Engineering Inspections	A/	\$2,701	B/	\$2,846	C/	\$3,948	D/	\$4,027
7	Testing/Transportation	A/	\$31,488	B/	\$31,258	C/	\$19,081	D/	\$14,326
8	Repairs & Maintenance	A/	\$89,030	B/	\$53,396	C/	\$58,515	D/	\$49,404
9	Operations & O.M.	A/	\$28,800	B/	\$64,644	C/	\$59,799	D/	\$56,001
10	Billing and Collection Fees	A/	\$44,966	B/	\$43,509	C/	\$35,559	D/	\$35,559
11	Bad Debt Expenses	A/	\$10,334	B/	\$10,681	C/	\$6,868	D/	\$6,868
12	Accounting and Bookkeeping	A/	\$16,635	B/	\$19,499	C/	\$23,125	D/	\$16,274
13	Tax Accounting	A/	\$2,850	B/	\$9,979	C/	\$6,503	D/	\$857
14	Accounting - Other	A/	\$13,049	B/	\$11,494	C/	\$27,882	D/	\$8,670
15	Legal	A/	\$8,899	B/	\$33,235	C/	\$20,344	D/	\$12,695
16	Management	A/	\$16,000	B/	\$0	C/	\$0	D/	\$0
17	Rent	A/	\$10,344	B/	\$12,000	C/	(\$1,667)	D/	\$10,344
18	Insurance	A/	\$18,699	B/	\$31,042	C/	\$28,728	D/	\$27,380
19	Other Misc. Expenses	A/	\$1,629	B/	\$48,613	C/	\$20,582	D/	\$18,409
20	Taxes Other Than Income Taxes	A/	\$20,716	B/	\$29,902	C/	\$41,040	D/	\$41,040
21	Regulatory Expenses	A/	\$33,524	B/	\$70,398	C/	\$57,037	D/	\$16,862
22	Depreciation & Amortization, Net	A/	\$121,569	B/	\$145,116	C/	\$208,058	D/	\$145,116
24	Total Operating Expense	A/	\$623,682	B/	\$853,994	C/	\$817,714	D/	\$640,629
23	Flood Control	E/							\$30,115

A/TRA Final Order 09-00034

B/BCUI Schedules R/E, E-1, E-2, E-3

C/2011 P&L sent by Lynwood 2-28-2012

D/Expense Categories Lynwood 4-20-2012

Berry's Chapel TRA Docket 11-00198

Supplemental Testimony Schedule 2 - Supplemental Testimony
Changes/Correction

Line #	Expense Category	Original Testimony	Changes/Correction	Supplemental Testimony
1	Materials & Supplies	\$21,731	\$1,648	\$23,379
2	Rent	\$10,000	\$344	\$10,344
3	Insurance	\$16,547	\$10,833	\$27,380
4	Regulatory Expenses	\$14,333	\$2,529	\$16,862
5	Total	\$62,611	\$15,354	\$77,965
6	Flood Control	\$30,315	(\$200)	\$30,115