

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

IN RE:

**JOINT PETITION OF AQUA
UTILITIES COMPANY AND TRA
STAFF (AS A PARTY) TO
INCREASE RATES AND CHARGES**

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DOCKET NO. 15-00044

PRE-FILED DIRECT TESTIMONY

OF

JAMES E. CLAUSEL

1 **Q. Please state your name, position and business address.**

2 A. My name is James E. Clausel. I am the owner of Aqua Utilities Company. My business
3 address is 408 Main Street, Savannah, TN 38372.

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

5 A. As the owner of the utility, I am providing a general overview of Aqua Utilities
6 Company's operations and a summary of the rate relief that the Company is requesting.
7 Joe Shirley of the TRA Staff will provide testimony on the ratemaking methodologies
8 and calculations used to forecast the Company's cost of service and rate design for the
9 attrition period.

10 **Q. Mr. Clausel, could you please describe the Company's utility operations?**

11 A. Yes. Aqua provides both water and wastewater services to approximately 371 residential
12 water customers and 301 residential wastewater customers. The Company's service
13 territory is an approximately 3,000 acre development on the Tennessee River, about
14 seven miles south of Savannah, Tennessee and across the river from Pickwick Landing
15 State Park.

16 Aqua received its CCN from the Tennessee Public Service Commission on August 30,
17 1990 in Docket No. 90-04334. I purchased the Company from the original owner in
18 1996, and on May 30, 2002, in Docket No. 02-00387, the TRA approved the transfer of
19 Aqua from the previous owner to me.

20 Aqua purchases water from the City of Savannah and then redelivers the water to Aqua's
21 customers. Because of the hilly terrain in the Company's service territory, a regular
22 gravity-fed wastewater system is unfeasible. Instead, a system of grinder pumps and lift

1 stations are employed to move wastewater from the customers' residences to Aqua's
2 treatment facility.

3 **Q. When was Aqua's last rate increase?**

4 A. It has been over eight years since the Company's last rate increase. On February 5, 2007,
5 in Docket No. 06-00187, the Tennessee Regulatory Authority approved the service rates
6 and charges that are currently in effect.

7 **Q. Mr. Clausel, why is Aqua requesting rate relief at this time?**

8 A. Due to increases in the expenses of operating Aqua's water and wastewater systems, the
9 Company has experienced significant revenue shortfalls in recent years. The Annual
10 Reports filed with the TRA show that Aqua had a net operating loss of \$79,337 for
11 calendar year 2012 and a net operating loss of \$71,741 for calendar year 2013. As will
12 be addressed by Mr. Shirley, Aqua experienced a Test Period net operating loss of
13 \$65,826 for calendar year 2014, and Mr. Shirley projects an Attrition Period net operating
14 loss of \$57,597 at current rates. These losses are unsustainable going forward, and it has
15 become apparent that Aqua cannot continue to provide safe and reliable water and
16 wastewater services to customers without rate relief.

17 **Q. Are there any particular expense items the Company is requesting in this docket?**

18 A. Yes. If the requested rate relief is granted, I plan to upgrade the Company's billing
19 software. The current software is antiquated and does not provide the functionality
20 needed to efficiently bill and manage customer information. Based on a proposal
21 obtained from MuniBilling on March 27, 2015, the cost of the new billing software will
22 be \$275 per quarter on a recurring basis. A copy of the proposal is attached as an Exhibit
23 to my testimony.

1 Additionally, the Company does not have any employees but pays contractors to perform
2 Aqua's business and operations. Godwin & Associates performs the Company's business
3 office functions, including billing, accounting, tax and financial reporting. Meter reading
4 and on-call maintenance and repair services are performed by Storey Construction; and
5 Craig Holder performs Aqua's service quality and testing function. Due to general
6 inflation and growth in customers since the last rate adjustment in 2007, if the requested
7 rate relief is granted I plan to increase the payments to Godwin & Associates by \$5,500
8 per year from \$19,500 to \$25,000; I plan to increase the weekly on-call maintenance fee
9 paid to Storey Construction by \$30 per week from \$200 to \$230; and I plan to increase
10 the monthly testing fee paid to Mr. Holder by \$50 per month from \$850 to \$900.

11 **Q. What rate relief is the Company requesting?**

12 A. As will be addressed by Mr. Shirley, Aqua's current rates and charges are insufficient to
13 cover its operating costs and provide for a reasonable net operating income. Without rate
14 relief, Mr. Shirley projects that Aqua will have a revenue deficiency of approximately
15 \$72,416 for the Twelve Month Attrition Period Ending May 31, 2016, under the
16 operating margin method. In order to have a fair opportunity to cover its operating
17 expenses and earn a reasonable net operating income, Aqua is requesting that it be
18 allowed to increase rates and charges to eliminate this revenue deficiency. To that end,
19 the Company supports and recommends the rate design proposed by Mr. Shirley and
20 requests that the proposed rates become effective on May 12, 2015. If approved,
21 customers will see an increase beginning with their June 2015 bills.

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

23 A. Yes it does.

Proposal
03/27/2015

Aqua Utility
Proposal
For Billing Software

MUNIBILLING
UTILITY BILLING SOLUTIONS

MuniBilling & Godwin CPA

John Yergey
800-259-7020 x17
610-223-9287 (cell)
john@munibilling.com

Attn: Kay Godwin
Godwin CPA

kgodwin@godwin-cpa.com

Description of Charges

Data Conversion / Setup: Conversion of your existing data, verification of the accuracy of the data and the company setup is critical in maximizing your results with our product and insuring a smooth transition. We take you through this process step-by-step starting with a detailed analysis of your needs from the aspect of both functionality and reporting requirements. Our second step is working with you to analyze your existing data, developing a conversion path and setting up a schedule for the conversion process.

Training & Startup: After conversion we work closely with all personnel to review the data and begin the process of training them on the operation of the system. The last step is the coordination of the balance transfer and working closely with them as they start working with the system and going through each of process for the first time.

System Charges: Our charges on an ongoing basis include full access to all functionality of the program. There are no added costs for program upgrades, additional users or any hidden costs. Our system is a fully web based application so you are always on the most recent version of the program, there is never anything to install and you never pay an upgrade fee. You can access the system from any location and never have to worry about data or program backups.

Additional Services: Additional charges may be levied in the event that custom programming or significant work not outlined in this proposal is requested of MuniBilling. This may include but is not limited to custom integration with third party applications and other additional services.

Charge Type	Description	Amount
One-time	Data Conversion / Setup	\$275
One-time	Training & Start up	\$175
Recurring	System charges (400-500 active accounts)	\$275 / Quarter

If you have any questions regarding the above information please feel free to contact me at your convenience.

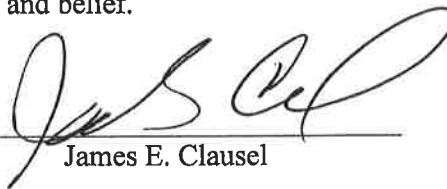
John Yergey | (800) 259-7020 x17

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF Hardin)

I, James E. Clausel, being duly sworn, state that I am authorized to make this verification on behalf of Aqua Utilities Company; that I have read the foregoing Pre-filed Direct Testimony and Exhibits of James E. Clausel and know the content thereof; and that the same are true and correct to the best of my knowledge, information and belief.


James E. Clausel

Sworn to and subscribed before me the 8th day of April, 2015.


Notary Public

My Commission Expires: My Commission Expires
March 25, 2017

