

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

IN RE:)
)
JOINT PETITION OF CARTWRIGHT)
CREEK, LLC. AND TRA STAFF)
(AS A PARTY) TO INCREASE RATES)
AND CHARGES)

DOCKET NO. 16-00127

**PRE-FILED DIRECT TESTIMONY
OF
PATSY FULTON**

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

2 A. My name is Patsy Fulton. I am a Utility Rate Specialist for the Utilities Division of the
3 Tennessee Regulatory Authority. My business address is 502 Deaderick Street, Fourth
4 Floor, Nashville, Tennessee 37243.

5 **Q. Please provide a summary of your educational background and professional**
6 **experience.**

7 A. I have a B.S. degree in Accounting from Tennessee Technological University. I have
8 been employed in the Utilities Division of the Tennessee Regulatory Authority for
9 sixteen years as a Utility Rate Specialist. As Rate Specialist for the TRA, I provide
10 recommendations for new Certificates of Convenience and Necessity (CCN's) in
11 Tennessee for wastewater and water utilities after reviewing for financial, technical and
12 managerial ability; review tariffs for compliance; work on various audits and rate cases
13 for natural gas companies, water and wastewater companies and monitor wastewater
14 companies for financial security compliance.

15 Previously, I served as a Director on Comdata Corporation's Board of Directors.
16 Additionally, I was employed by Comdata Corporation, originally as a Staff Accountant
17 and later promoted to Corporate Secretary. I served many Vice President positions thru
18 my years at Comdata: Vice President of Accounts Receivable, providing specifications
19 and installation of a new billing platform; Vice President of Credit and Collections, in
20 charge of financial analysis of customer accounts and performing due-diligence for
21 acquisitions; Vice President of Sales and Product Implementation and Vice President of
22 Comdata Telecommunications Services, Inc., implementing the resale of a long distance
23 telecommunications product.

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

2 A. The purpose of my testimony is to calculate and present a forecast of Operation &
3 Maintenance expense. Attached to the testimony of Daniel Ray are the TRA Staff
4 Exhibits and Workpapers that document the cost of service study.

5 **Q. Please explain your forecast of Operations & Maintenance expense for the**
6 **Attrition Period.**

7 A. The individual components that comprise the Attrition Period forecast are as follows:

8 **Schedule 3, Line 9 – Purchased Power Expense - \$57,669:** This amount represents
9 the forecast of purchased power expense the Company should incur during the Attrition
10 Period from all three (3) of the Cartwright Creek wastewater systems at Grasslands,
11 Arrington Retreat and Hideaway. A sampling was taken of the Test Period purchased
12 power expense invoices for the two (2) active wastewater systems (Grassland and
13 Arrington Retreat) and reconciled to the General Ledger. Since the Grassland system is
14 not expected to have any added customer growth, I only increased it by the inflation
15 factor of 2.35% as reflected on Expense Workpaper 3.01. The inflation factor is based
16 on the GDP Price Deflator published by the Bureau of Economic Analysis.

17 The Arrington system; however, is expected to have added customer growth as the
18 subdivision continues the build-out; therefore, its Test Period purchased power expense
19 was increased by a growth factor of 13.07% as reflected on Expense Workpaper 3.01.
20 The Growth Factor is based on projected customer growth and the GDP Price Deflator
21 as reflected on Expense Workpaper 3.02.

22 The Hideaway subdivision wastewater system has been recently constructed and is now
23 ready for operation; however, the subdivision is relatively new and is still being built-

1 out. The wastewater system therefore is not operating at planned capacity and will not
2 require a full power load during the Attrition Period. Accordingly, I relied on estimates
3 of system power requirements provided by the Company to forecast purchased power
4 expense during the Attrition Year for Hideaway.

5 **Schedule 3, Line 10 – Sludge Removal - \$72,375:** This amount represents the forecast
6 of sludge removal expense the Company should incur during the Attrition Period for the
7 Grassland wastewater system. Cartwright Creek will have an 87% increase of Sludge
8 Removal Expense during the Attrition Period over the Test Period due to re-locating
9 where the sludge is hauled. The Company was paying \$400 per load of sludge in 2015;
10 however, since that time, Cartwright Creek now has to haul its sludge to Elite Disposal
11 in Madison, Tennessee because the Town of Thompson Station stopped allowing
12 disposal of outside septage and sludge in their wastewater treatment system. The price
13 increased to \$750 per load in January 2016. A sampling was taken of the 2015 and
14 2016 invoices and reconciled to the General Ledgers.

15 **Schedule 3, Line 11 - Chemicals - \$13,632:** This amount represents the forecasted
16 chemical expense the Company should incur during the Attrition period. A sampling
17 was taken of the 2015 and 2016 invoices and reconciled to the General Ledgers for
18 those years respectively. As reflected on Expense Workpaper 3.01, the Test Period
19 amount for chemical expense was increased by the general Attrition Period growth
20 factor of 13.07%.

21 **Schedule 3, Line 12 – Materials and Supplies - \$5,487:** This amount represents the
22 forecasted materials and supplies expense the Company should incur during the
23 Attrition period. This expense includes testing supplies for all three locations and

1 various small supplies needed from places like Walmart, Rite Aid, etc. A sampling was
2 taken of the 2015 invoices and reconciled to the 2015 General Ledger. As reflected on
3 Expense Workpaper 3.01, the Test Period amount for materials and supplies was
4 increased by the general Attrition Period growth factor of 13.07%.

5 **Schedule 3, Line 13 – Contractual Services - \$375,589:** This amount represents the
6 forecasted contract service fees the Company should incur during the Attrition Period.
7 The amount is comprised of several Cartwright Creek contract providers that provide
8 engineering services, plant management services, accounting services, environmental
9 testing, repair and maintenance contractors, legal fees and consulting fees, the details of
10 which are reflected on Expense Workpaper 3.01. Cartwright Creek has no employees
11 of its own, but contracts with other providers to perform its business, management and
12 operational functions. Management and engineering services are performed by Mr.
13 Bruce Meyer, as Operations Manager, through Cartwright Creek's affiliate, Sheaffer
14 Wastewater Solutions, LLC ("Sheaffer"). Additionally, Sheaffer provides consulting
15 services to Berry's Chapel Utility, Inc. and utilizes its personnel at Cartwright Creek to
16 provide those services. As reflected on Expense Workpaper 3.01, the Test Period
17 amount for the **engineering manager's salary and plant manager 1's salary** will
18 decrease by the amount of time expected to be expended at and charged to Berry's
19 Chapel with no further increase anticipated during the Attrition Period as reflected on
20 Expense Workpaper 3.03. In addition, I adjusted contractual services expense to add
21 **plant manager 2** at the new Hideaway Plant at Cartwright's Creek's proposed amount
22 of \$52,000, as reflected on Expense Workpapers 3.01 and 3.03.

1 As reflected on Expense Workpaper 3.01, the Test Period amounts for **part time plant**
2 **management/testing, accounting services, repair and maintenance contractors,**
3 **legal fees and consulting fees** were increased by the general Attrition Period growth
4 rate of 13.07%. In addition, a sampling of various 2015 invoices was taken for these
5 contractual services categories and reconciled to the 2015 General Ledger.

6 The amount for **environmental testing** for the Test Period was increased by the
7 inflation factor of 2.35% to account for inflationary increases for testing done primarily
8 at Grasslands, plus an additional \$2,590 of testing expense was included in the forecast
9 for testing anticipated at the Hideaway Plant. In addition a sampling of 2015 invoices
10 was reconciled to the 2015 General Ledger for environmental testing. .

11 I increased the Test Period **Blue Cross Blue Shield/benefits** by \$17,646 by (i)
12 annualizing the 2016 premium increases; (ii) adding a projected 5% premium increase
13 for the Attrition Period; (iii) deducting insurance benefits associated with time charged
14 for and expended at Berry's Chapel; and (iv) adding insurance benefits for the new
15 plant manager at Cartwright Creek, as reflected in Expense Workpaper 3.03.

16 Finally, **Payroll Taxes** of \$14,161 were added to the Test Period using the employer
17 match for FICA of 7.65% times Attrition Year Salaries/Wages charged to Cartwright by
18 Sheaffer, as reflected in the Expense Workpapers 3.01 and 3.03.

19 **Schedule 3, Line 14 – Maintenance and Repairs - \$37,917:** This amount represents
20 the forecasted maintenance and repair expense the Company should incur during the
21 Attrition period. It includes both Routine Maintenance of \$28,957 and Non-Routine
22 Maintenance of \$8,960 for the Attrition Period. The amounts include an increase of
23 13.07%, the General Attrition Growth Factor as reflected on Expense Workpaper 3.01.

1 In addition, I increased Routine Maintenance by \$6,000 to reflect the amount estimated
2 by the Company for additional routine maintenance of \$500 per month to cover
3 maintenance for blowers, instrumentation calibration, etc. for the new Hideaway
4 system; and I increased Routine Maintenance by \$22,500 to cover the estimated amount
5 for grounds keeping for the Hideaway and Arrington Retreat systems, which were not
6 included in the Test Period. After visiting both wastewater system sites, I confirmed
7 that due to the location of the property at Hideaway and Arrington Retreat wastewater
8 systems, routine upkeep to grounds will be necessary and the acreage and configuration
9 of the properties will be costly to maintain. Therefore the adjustment of \$29,589 to the
10 Test Period, as reflected in Expense Workpaper 3.01, is reasonable for Maintenance and
11 Repairs.

12 **Schedule 3, Line 15 - Transportation Expense - \$10,784:** This amount represents the
13 forecasted transportation expense the Company should incur during the Attrition period.
14 A sampling was taken of the 2015 invoices and reconciled to the General Ledger.
15 Transportation expense is typically used for fuel for trucks. As reflected on Expense
16 Workpaper 3.01, the Test Period amount for transportation expense was decreased by
17 non-recurring truck rental expense incurred in 2015. The truck rental expense was
18 needed in 2015 prior to a truck being replaced in late 2015; therefore, there should not
19 be any further rental expense needed during the Attrition Year. Further, Test Period
20 transportation expense was increased by the general Attrition Period growth factor of
21 13.07% and by Cartwright's estimate of \$2,860 in additional transportation expense
22 related to the new Hideaway wastewater system, as reflected on Expense Workpaper
23 3.01.

1 **Schedule 3, Line 16 – Telephone Expense - \$6,975:** This amount represents the
2 forecasted telephone communication and telemetry expense the Company should incur
3 during the Attrition period. The Test Period amount was increased by the general
4 Attrition Period growth rate of 13.07, as reflected on Expense Workpaper 3.01.

5 **Schedule 3, Line 17 – Insurance Expense – \$39,198:** This amount represents the
6 forecasted insurance expense the Company should incur during the Attrition period.
7 The insurance expense covers the company general liability insurance,
8 environmental/pollution liability insurance, vehicle and umbrella insurance, surety bond
9 premium, property insurance and workman's compensation insurance. I forecasted the
10 amount of insurance expense for the Attrition Period using estimated premiums for
11 2016 plus an anticipated 5% premium increase for 2017, as reflected in Expense
12 Workpaper 3.01.

13 **Schedule 3, Line 18 - Postage and Delivery Expense - \$4,238:** This amount
14 represents the forecasted postage and delivery expense the Company should incur
15 during the Attrition Period. As reflected on Expense Workpaper 3.01, the Test Period
16 amount for postage and delivery expense was increased by the general Attrition Period
17 growth factor of 13.07%.

18 **Schedule 3, Line 19 - Bad Debt Expense - \$0:** This amount represents the forecasted
19 bad debt expense the Company should incur during the Attrition Period. As reflected
20 on Expense Workpaper 3.01, the Test Period amount for bad debt expense was
21 eliminated for the Attrition Period. I found the bad debt amount recorded in the Test
22 Period as being primarily from one account over a five year period of time, allowing for
23 most of the bad debt to be from finance charges based on no payment. Apparently the

1 property had been vacant for some time. The other bad debt incurred during the Test
2 Period was from 2012 and also stale. Otherwise, the bad debt expense for Cartwright
3 has been miniscule with the exception of these two uncollectibles from 2009 and 2012.

4 **Schedule 3, Line 20 – Bank Charges - \$7,841:** This amount represents the forecasted
5 bank charge expense the Company should incur during the Attrition Period. As
6 reflected on Expense Workpaper 3.01, the Test Period amount for bank charge expense
7 was increased by the general Growth Factor of 13.07%.

8 **Schedule 3, Line 21 – Miscellaneous – \$15,112:** This amount represents the
9 forecasted amount for miscellaneous expense the Company should incur during the
10 Attrition Period. Miscellaneous expense is comprised of the following expenses:
11 Industry Dues & Education, \$1,695; Data Processing, \$2,144;
12 Travel/Meals/Entertainment, \$903; Office Supplies, \$6,034; Utilities Expense/Water,
13 \$4,336. As reflected on Expense Workpaper 3.01, the Test Period amount for
14 miscellaneous expense was increased by the general Attrition Period growth rate of
15 13.07% for all of the miscellaneous expense items. In addition, based on estimates
16 provided by Cartwright, the Utilities/Water Expense amount of Miscellaneous Expense
17 was increased by an additional amount of \$2,400 for water and internet service at the
18 new Hideaway plant, as reflected on Expense Workpaper 3.01.

19 **Schedule 3, Line 22 - Permits and Fees- \$4,960:** This amount represents the
20 forecasted amount for Permits and Fees expense the Company should incur during the
21 Attrition Period. The amount for the Test Period was increased based on the additional
22 fees that will be incurred for the Hideaway Plant during the Attrition Period, as shown
23 on Expense Workpaper 3.03

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

2 **A. Yes.**

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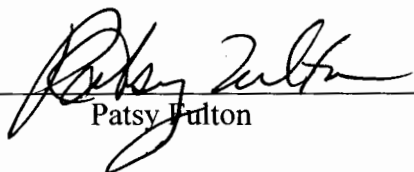
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VERIFICATION

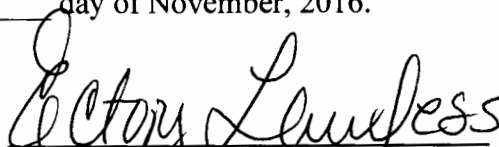
STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

I, Patsy Fulton, being duly sworn, state that I am authorized to make this verification on behalf of TRA Staff (As a Party); that I have read the foregoing Pre-filed Direct Testimony, Exhibits and Workpapers of Patsy Fulton and know the content thereof; and that the same are true and correct to the best of my knowledge, information and belief.


Patsy Fulton

Sworn to and subscribed before me the 10th day of November, 2016.


Notary Public

My Commission Expires: 1/9/2018

