

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

January 10, 2017

IN RE:)	
)	
JOINT PETITION OF CARTWRIGHT)	DOCKET NO.
CREEK, LLC AND TRA STAFF (AS A)	16-00127
PARTY) TO INCREASE RATES AND)	
CHARGES)	

ORDER APPROVING RATE INCREASE

This matter came before Chairman David F. Jones, Director Herbert H. Hilliard, and Director Kenneth C. Hill of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on December 12, 2016, to hear and consider the *Joint Petition* filed on November 10, 2016 by Cartwright Creek, LLC (“Cartwright” or the “Company”) and TRA Staff as a Party (“Party Staff”) (collectively, the “Parties”).

BACKGROUND AND JOINT PETITION

Cartwright is a public utility which provides wastewater service to approximately 657 residential and 42 commercial customers located in Williamson County, Tennessee, including the Grasslands community, Arrington Retreat and Hideaway subdivisions.¹ The Parties filed their *Joint Petition* on November 10, 2016 seeking an increase to Cartwright’s rates and charges “for the purpose of recovering the Company’s costs of providing wastewater services to its customers and for authority to place such rates and charges into effect through a revised tariff.”²

¹ *Joint Petition*, p. 1 (November 10, 2016).

² *Id.*

On December 2, 2016, Arrington National Development, LLC (“Arrington”) filed a Petition requesting limited intervention into this matter for the sole purpose of questioning the Parties as to Cartwright’s rights and obligations under the terms of a special contract between Arrington and Cartwright.³ The special contract to which Arrington was referring is currently awaiting Authority approval in TRA Docket No. 16-00097. On December 5, 2016, the Parties filed a *Response of TRA Party Staff and Cartwright Creek to Arrington’s Petition to Intervene* which opposed Arrington’s Petition for limited intervention. After Arrington filed an additional response on December 7, 2016, Arrington and the parties filed a *Notice of Arrington National Development, LLC’s Withdrawal of Petition for Limited Intervention and Stipulation of Facts by Authority Staff and Cartwright Creek, LLC* on December 9, 2016, in which Arrington agreed to withdraw its Petition for Limited Intervention and Arrington and the Parties agreed to stipulate to certain facts. The Notice was approved by the Hearing Officer. No other parties petitioned to intervene in this matter. On December 6, 2016, the Consumer Protection and Advocate Division of the Office of the Attorney General (“CPAD”) filed a notice in the docket indicating that they had reviewed the filings and had no opposition to the proposed increased rates and charges.

The *Joint Petition* states that the Company’s last rate increase was approved over six years ago in March 2010.⁴ The Parties assert that existing rates are not sufficient to allow Cartwright a reasonable opportunity to recover its operating costs and to provide reasonable net operating income.⁵ If rates remain unchanged, the Parties project that the Company will experience net income of only \$1,677 for the Twelve Month Attrition Period ending December 31, 2017.⁶ If rates were established using the operating margin method, and by using

³ *Petition for Limited Intervention filed on behalf of Arrington National Development, LLC*, p. 1 (December 2, 2016).

⁴ *Joint Petition*, p. 2 (November 10, 2016).

⁵ *Id.*

⁶ *Id.*

6.5% of operating expenses as the fair margin, the Parties project that, absent any rate relief, Cartwright would incur a revenue deficiency of \$44,154 during the attrition period.⁷

The *Joint Petition* sets forth the following proposed rate changes to eliminate the revenue deficiency:⁸

a. Grasslands:

<u>Customer/Classification</u>	<u>Current Monthly Rate</u>	<u>Proposed Monthly Rate</u>
Residential 1 Bedroom	\$28.88	\$42.00
Residential 2 Bedroom	36.38	42.00
Residential 3 Bedroom	42.38	46.50
Residential 4 Bedroom	49.14	52.00
Residential 5 Bedroom	55.13	55.25
Commercial Usage Rate	\$8.21/1,000 Gal.	\$8.75/1,000 Gal.
Commercial Minimum Bill	\$28.49	\$37.00

b. Arrington Retreat and Hideaway:

<u>Customer/Classification</u>	<u>Current Monthly Rate</u>	<u>Proposed Monthly Rate</u>
Residential 1 Bedroom	\$28.88	\$55.25
Residential 2 Bedroom	36.38	55.25
Residential 3 Bedroom	42.38	55.25
Residential 4 Bedroom	49.14	55.25
Residential 5 Bedroom	55.13	55.25
Commercial Usage Rate	\$8.21/1,000 Gal.	\$8.75/1,000 Gal.
Commercial Minimum Bill	\$28.49	\$37.00

In addition to the proposed monthly rates, the Parties request approval of a Capital Improvements Surcharge (“Surcharge”) of \$7.50 a month, for a period of thirty-six (36) months subject to several conditions.⁹ The purpose of the Surcharge is to fund a capital improvements account for future utility infrastructure system improvements.¹⁰

⁷ *Id.*

⁸ *Id.* at 2-3.

⁹ *Id.* at 3-5.

¹⁰ *Id.* at 3.

In accordance with Authority Rule 1220-4-1-.05, Cartwright provided notice to its customers of the proposed rate increases via direct mail and by posting notice in the Company's business office.¹¹

THE HEARING

The Hearing in this matter was held before the voting panel of Directors during the regularly scheduled Authority Conference on December 12, 2016, as noticed by the Authority on December 2, 2016. Participating in the Hearing was:

Cartwright Creek, LLC – Henry M. Walker, Esq., Bradley Arant Boult Cummings, LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203.

Tennessee Regulatory Authority Party Staff – Monica L. Smith-Ashford, Esq., Tennessee Regulatory Authority, 502 Deaderick Street, 4th Floor, Nashville, Tennessee 37243.

During the Hearing, Mr. Daniel Ray, for Party Staff, and Mr. Bruce Meyer, for the Company, ratified, then summarized their pre-filed testimony and were subject to questioning before the panel. There were no intervening parties to the Docket. Members of the public were given an opportunity to offer comments, during which time James Goldsberry and John Caldwell, residential customers of the Company, offered comment in opposition to the increase. Vance Broemel from the CPAD offered comment at the hearing that his office reviewed the evidence and did not petition to intervene in the docket because they believed it to be a fair rate setting.

STANDARD FOR AUTHORITY APPROVAL

Tenn. Code Ann. § 65-5-101 (2015) provides, in pertinent part:

(a) The Tennessee regulatory authority has the power after hearing upon notice, by order in writing, to fix just and reasonable individual rates, joint rates, tolls, fares, charges or schedules thereof,

¹¹ *Affidavit of Bruce Meyer* (November 10, 2016).

Additionally, Tenn. Code Ann. § 65-5-103 states, in part:

(a) When any public utility shall increase any existing individual rates, joint rates, tolls, fares, charges, or schedules thereof, or change or alter any existing classification, the authority shall have power either upon written complaint, or upon its own initiative, to hear and determine whether the increase, change or alteration is just and reasonable. The burden of proof to show that the increase, change, or alteration is just and reasonable shall be upon the public utility making the same. In determining whether such increase, change or alteration is just and reasonable, the authority shall take into account the safety, adequacy and efficiency or lack thereof of the service or services furnished by the public utility.

FINDINGS AND CONCLUSIONS

After the hearing and upon consideration of the pleadings, pre-filed testimony, and the entire administrative record, the panel found:

The increased rates and charges proposed in the *Joint Petition* are necessary for Cartwright to continue providing quality wastewater service and, therefore, are just, reasonable, and in the public interest. The provisions of the proposed rate increase were based upon:

1. A historical test period of the twelve months ended December 31, 2015;
2. A forward-looking attrition period of the twelve months ended December 31, 2017;
3. An operating margin of 6.5%;
4. Total attrition period operating revenues of \$677,649;
5. Total attrition period operating expenses of \$675,972; and
6. A revenue deficiency of \$44,154.

The \$7.50 capital surcharge for a period of 36 months is essential in funding needed facility improvements and upgrades and is, therefore, approved subject to the terms found in the *Joint Petition*. These terms are sufficient to adequately safeguard the funds collected as well as their disbursement.

IT IS THEREFORE ORDERED THAT:

1. The *Joint Petition* filed on November 10, 2016 by Cartwright Creek, LLC and TRA Staff as a Party, is approved.
2. The rates and charges proposed in the *Joint Petition* are approved.
3. A Capital Improvement Surcharge of \$7.50 per month is approved subject to the terms and conditions found on pages 3 through 5 of the *Joint Petition*.
4. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.
5. Any party aggrieved by the Authority's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

Chairman David F. Jones, Director Herbert H. Hilliard, and Director Kenneth C. Hill concur.

ATTEST:



Earl R. Taylor, Executive Director