

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

IN RE:)
)
PETITION OF TENNESSEE)
WASTEWATER SYSTEMS, INC.,)
FOR APPROVAL OF ADJUSTMENT) **DOCKET NO. 16-00139**
OF ITS RATES AND NEW TARIFF)

POST-HEARING BRIEF OF TENNESSEE WASTEWATER SYSTEMS, INC.

Tennessee Wastewater Systems, Inc. (“TWSI” or “the Company”) submits this post-hearing brief in support of the Company’s request for a rate increase.

Summary

- TWSI lost \$131,605 in 2016 and \$382,470 in 2015.¹
- Through the first five months of 2017, the Company has lost \$48,000.²
- The Company has not had a rate increase since 2009.³

There is no dispute that the Company is losing money, and there should be no dispute that the utility needs a rate increase.

The most credible evidence in the record of the Company’s current financial situation – “the best picture, financial photograph if you will, for setting rates in this docket” – is the normalized 2016 test period prepared by the Company and supported by the testimony of Company

¹ Buckner pre-filed rebuttal, at 10. The Consumer Advocate agrees, “We’re not saying that the Company did not lose money in 2016 or 2015.” Tr., at 143.

² Tr., at 43.

³ TRA Docket 08-00202 (July 8, 2009).

witness Robert “Terry” Buckner.⁴ The 2016 test period data, along with supporting exhibits, was filed with the Consumer Advocate in response to Discovery Request No. 3, Question 1. A copy was also filed with the Commission.⁵ As Mr. Buckner testified, the normalized results for 2016 “is a fair picture of the financial position of the Company’s earning at this time and prospectively. They have incurred a loss through the first five months of 2017. Nothing is going to change that except for a rate increase.”⁶

The Advocate’s arguments to the contrary are simply not credible. As discussed during the cross-examination of the Advocate’s witness, the Advocate’s case presumes a 20% increase in customers in 2018 and a decrease in most of the utility’s operating and maintenance expenses in that same period.⁷ The Advocate’s witness also acknowledged that although he included escrow funds in his revenue forecast, he failed to include in his forecast any expenses which are currently being paid out of the reserve account.⁸ Similarly, he admitted that he included in his revenue forecast all payments received from developers but failed to include any developer-related expenses.⁹ Company witness Buckner, who formerly worked in the Consumer Advocate Office and filed testimony for the Advocate in TWSI’s last rate case, described the omission of half-a-million dollars in escrow expenses as an “egregious error”¹⁰ and the omission of developer-related

⁴ Tr., at 95. Buckner Rebuttal Exhibit 1.

⁵ The Company’s responses to all of the Advocate’s informal discovery requests were filed with the Authority on June 2, 2017. In response to Third Discovery Request, Question 1, the Company revised Exhibits 1 and 2 in the Direct Testimony of Charles Hyatt to reflect a test period ending December 31, 2106. As explained by TWSI in a cover letter filed with the Commission, the revised exhibits showing the 2106 test year data are on a UBS drive which was delivered to the agency on June 2, 2017. For convenience, copies of those exhibits are attached to this brief.

⁶ Tr., at 94.

⁷ Tr., At 101-102, 136-142.

⁸ See CAD Response to TWSI Discovery Request, Question 1.

⁹ Id., Question 2.

¹⁰ Tr., at 102.

expenses as “so obviously unfair that I am surprised that the Advocate’s office would sponsor this testimony.”¹¹

To distract from these errors and the obvious necessity of a substantial rate increase, the Consumer Advocate focused instead on (1) whether it was appropriate for the Company to charge customers who elect to pay by credit card a 3% “convenience fee,” (2) whether TWSI is accurately billing its customers, and (3) unspecified “deficiencies” in TWSI’s accounting records. None of those issues has any bearing on this rate case.

The “Convenience Fee”

Since 2012, TWSI customers who elect to pay by credit card have been charged a 3% “convenience fee” to cover the processing fees charged by the credit card companies. Tr., at 54. TWSI witness Matt Pickney testified that when the Company began allowing customers to pay by credit card, he discussed with the TRA Staff whether the 3% fee should be included in the Company’s tariff. Id., at 47-48. He was told that since the fee was optional, it did not need to be tariffed. Id. Later that same year, Mr. Pickney described his conversation with the TRA Staff in an internal email. Pickney pre-filed testimony, at 2-3 and Exhibit B. In 2016, the issue arose again. Tr., at 46-47. This time, the TRA Staff advised the Company to include the fee in TWSI’s tariffs. Id. Therefore, on July 29, 2016, TWSI filed a revised tariff page which included the 3% fee. Id. The TRA Staff, however, asked that the convenience fee be removed from the tariff and addressed at a later date, presumably when the Company filed its next rate case. Id. Therefore, TWSI took the convenience fee out of the proposed tariff and filed it instead in this rate case for the agency’s consideration. Pickney pre-filed testimony, at 4-5.

¹¹ Buckner pre-filed rebuttal, at 9. Even the Advocate’s witness admitted that it would not be right for the Commission to rely upon his forecast of the Company’s earnings. After saying that his forecast indicates that the Company’s rates should be reduced by \$250,000, he candidly acknowledged, “And I am admitting that . . . because of the way I’m forced to make a lot of these calculations, that’s not right.” Tr., at 146. Emphasis added

Mr. Pickney also testified that any customer who pays by credit card will clearly see the charge labeled as an “online processing fee.” Pickney pre-filed testimony, at 3. Attached to his testimony is a screen-shot of what the customer sees when he pays his bill by credit card. See Pickney Exhibit A.

The question of whether the optional, 3% fee should be tariffed is now a moot issue. As requested by the Staff, TWSI has included the fee in its proposed tariff. If it is approved by the Commission, the Company will continue to offer the customers the option of paying by credit card. If it is not approved, the Company will simply drop that payment option.

The question of whether the Company should refund all convenience fee payments, as the Consumer Advocate recommends, is an issue that the agency may or may not choose to pursue. But to do so, the Commission must first initiate an enforcement proceeding pursuant to T.C.A. § 65-2-106. The refund issue is not properly before the agency in this rate case docket.

As made clear in the testimony of Mr. Pickney, the Company has done nothing improper in regard to this, 3% fee and consulted with the Commission Staff at the time the fee was first imposed and again in 2016. Each time, the Company did exactly as the Staff requested. It is unfair for the Consumer Advocate’s Office to imply that TWSI acted improperly or should be penalized by making refunds of these nominal, pass-through charges. In any event, the issue of whether the fee should have been tariffed or whether refunds should be made are not relevant to this rate case and merit no further attention by the parties or the agency.

Accurate Billing

The Consumer Advocate has not identified a single TWSI customer who has been billed too much or too little by TWSI. The Advocate’s witness states only that he was “unable to confirm” how the Company bills some of its commercial customers and cannot tie the bills to the

Company's tariffs. Novak pre-filed testimony, at 9-10. Based on that, he concludes that the Commission should not make any changes in the Company's rates until the Commission Staff has conducted a "compliance audit of TWSI's billing rates and revenues." Id., at 6.

This is a rate case, not an audit proceeding. Nevertheless, in response to Mr. Novak's testimony, the Company hired its outside accounting firm to review the Company's billing practices and test the accuracy of the Company's bills during 2016. Their final report, which was entered into the record through Mr. Buckner, stated that they found "no apparent material weakness related to the accounting processes, procedures, and internal controls related to the billing for wastewater treatment services during our procedures." Tr., at 86. The accounting firm reviewed a sample of the Company's bills, including all of the 65 commercial accounts questioned by Mr. Novak (id., at 79), and found billing variances of only .09% in Middle Tennessee and .23% in East Tennessee. Id., at 78. As Mr. Buckner testified, these findings "indicate that the billing processes of the Company are quite good." Id., at 77. Tellingly, neither the Advocate nor the Commission Staff asked a single question of the accountants who conducted the review of the Company's billing practices, despite numerous invitations to do. Id., at 79, 78, 24, 93, 104.

As Mr. Buckner testified, the so-called billing issues raised by the Advocate are "paper cuts" (id., at 86), "a tempest in a teapot" (id., at 75) and "not important . . . to the financial reporting and financial position of the company." Id., at 86. The Company promised to correct any billing errors found (id., at 75); not one has been identified. Like the convenience fee issue, the Advocate's inability "to confirm" the accuracy of the Company's bills is another distraction from the unpleasant reality that the Company is losing money and needs a rate increase.

Reliability of Company's Books

As is true in virtually every utility rate case, the Consumer Advocate complains that the utility's initial filing did not provide sufficient financial data and that the agency should adopt rules spelling out what utilities should be required to file when petitioning for a rate increase. Id., at 147. Unlike other utilities, however, TWSI decided to allow the Consumer Advocate virtually unlimited rounds of discovery, including visits to the utility's offices. Moreover, the parties did not have any disputes over discovery issues that were not quickly and informally resolved. Neither side found it necessary to file a motion to compel.

Despite this unprecedented access to the utility's books and records, the Advocate's witness testified that there "are deficiencies in TWSI's processes for recording revenues and expenses" and that as a result, "TWSI's books cannot be relied upon as a basis for setting rates." Novak pre-filed testimony, at 3. Later in his testimony, the witness said again, "As I have mentioned, there are several issues with how the TWSI books and records have been maintained. As a result, I do not believe that the current state of the books and records of TWSI lend themselves to be relied upon for setting rates." Id., at 12.

In his pre-filed testimony, the Advocate's witness never explained what "deficiencies" he had found "in TWSI's processes for recording revenues and expenses." The only explanation he ever offered came in the verbal summary of his pre-filed testimony and in response to a question from Commissioner Hill who asked the witness why he did not "trust their books." Id., at 144. In his oral summary and in response to Commissioner Hill, the witness pointed to the Company's "recasting" of its operations in 2014 as the reason why he had lacked confidence in the Company's books. Id., at 110 and 146. He said, "[A]t the end of the day, I say these books cannot be relied upon to set rates because of all these changes." Id., at 146.

In other words, the only explanation the witness provided for his allegation of “deficiencies” in TWSI’s accounting books was the “recasting” of a half-dozen accounts in 2014, a change which the Commission itself had requested and the Advocate’s witness supported. Id., at 37, 110; Novak pre-filed testimony, at 11. The purpose of the recasting was to allow the utility to operate as a stand-alone entity with its own employees and not be dependent upon the employees of affiliated companies. As TWSI President Charles Hyatt described the process (id., at 37):

You’re probably looking at a half a dozen accounts. If you don’t have employees, then you don’t have the equipment and you don’t have equipment maintenance and you don’t have vehicle repair. When you put employees in trucks and they have their own equipment, then you start to have expenses. But, again, the major offset - - and I have been an accountant for 30 years - - surely would be to think that anybody qualified would be able to pick up and look at a half a dozen accounts and see six of them going up and one of them drastically going down. And that has been provided in our answers to the numerous questions that we have received from the Commission and the Staff.

While the Consumer Advocate’s witness said that the 2014 recasting “caused significant problems in establishing going level amounts for certain expenses because there is only a very limited history for us to use in reviewing certain accounts” (id., at 110), the Company’s rebuttal witness, Mr. Buckner was equally emphatic that the 2014 recasting had no impact on the accuracy of the 2016 test period data. Id., at 99. More importantly, as Mr. Buckner explained multiple times during cross-examination, the Advocate’s “use of an average for historical expenses is a bad way to forecast.” Id., at 68, 66. As he testified (id., at 58):

The Advocate uses various average periods, from one to seven years, for most of its operating expense line items. This approach violates the account principle of matching revenues and expenses in the same period. [This is a] fundamental principle. The Advocate’s forecast of operating revenue is looking forward while its forecast of expenses looks backward.

In other words, the half-a-dozen accounts affected by the 2014 recasting are not only irrelevant to the 2016 test period results but should never have been used in the first place to forecast expenses during the attrition period.

As discussed earlier, the Advocate's witness predicts a 20% jump in customer growth but also predicts that most of the Company's expenses will drop. At the hearing, he blamed these incredible results on the "methodology . . . that we were backed into a corner to use because of the way the Company had kept their books." Tr., at 142. He even admitted that he had no confidence in his forecast and that the Commission should not reply on it. Id., at 146 and see fn. 11, supra.

At bottom, it is plain that there are no "deficiencies" in the Company's accounting records.¹² The Advocate's witness is simply arguing in circles. Because of the 2014 recasting, he says he was "forced to make a lot of these calculations" using historical averages which led to admittedly absurd results. Tr., at 146. Instead of rejecting those results and using another, more appropriate method of forecasting expenses, as Mr. Buckner suggested, the Advocate's witness throws up his hands and says that "because of all these changes" in the Company's books caused by the recasting, he was unable to do a proper forecast and, therefore, the Commission should not grant the Company any rate relief. Given that no one disputes that TWSI lost money in 2015 and 2016 and is losing money today, the Advocate's recommendation is neither reasonable nor legally defensible.

Undisputed Issues

There are a number of proposals made by the Company that the Consumer Advocate's witness did not address in his pre-filed testimony and explained under cross-examination that the Advocate's Office has no position on these proposals.

The Company proposed eliminating the escrow account on a going-forward basis and charging a temporary "escrow rider" to recover the current deficit in the reserve account. Tr., at

¹² As Mr. Hyatt stated in response to a question from Commissioner Hill, the same CPA firm that tested the utility's billing accuracy also filed TWSI's tax returns using the same accounting records that the Advocate's witness stated were unreliable. Tr., at 149. Nothing could demonstrate more clearly that the Advocate was only talking about the impact of the recasting, not the accuracy of the Company's records.

23, 25-26. The Consumer Advocate's witness stated that the Advocate's office has no position on the escrow rider and no position "at this time" on the elimination of the escrow account. Id., at 121.

The Company proposed billing cabins on the basis of square footage rather than relying on the representations of the cabin owner. Id., at 25. The Consumer Advocate's witness offered no testimony on that issue and stated he can neither dispute nor support the Company's explanation as to why the change is needed. Id., at 121.

The Company proposed changing its "sewer access fee" to a "capacity reservation fee" and to change its method of collecting the fee. Id., at 26-27. The Advocate's witness offered no testimony on that proposal.

Finally, both the Company and the Advocate agree that the agency should use 2016 as a test period. Although the Company used a 2015 test period when it originally filed the petition, the Company submitted an updated, 2016 test period to the Consumer Advocate, along with supporting exhibits, to the Consumer Advocate and filed a copy of that information with the agency. See discussion at pp. 1-2, supra.

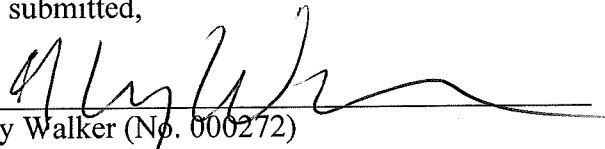
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Conclusion

For these reasons, the Company asks that its petition be granted and the Company allowed to increase its rates as shown in its proposed tariffs.

Respectfully submitted,

By:


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CERTIFICATE OF SERVICE

I hereby certify that on the 26th day of July, 2017, a copy of the foregoing document was served on the parties of record, via electronic delivery and U.S. Mail, postage prepaid, addressed as follows:

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Henry Walker

**RESPONSE TO CONSUMER ADVOCATE'S
THIRD DISCOVERY REQUEST, QUESTION 1**

See attached.

3-1; Ex. 1-2016

A

Ordinary Income/Expense Income	Test Period (2016)	Test Period Adjustments	Normalized Test Period	Comment ID	Comments	B&C	Maint	Sewer	Exh 6
400 - Operating Revenues									
521 - Flat Rate Revenues									
521.1 - Residential-Flat Sewer	407,462.45	439,201.87	846,644.32		Reclassification	35,721.86	419,030.37		(15,550.36)
Residential Cabin		15,550.36	15,550.36		Reclassification				15,550.36
521.2 - Commercial Sewer	337,738.61	(69,105.87)	274,632.74		Reclassification	1,116.00	111,216.02		(175,437.89)
Commercial Cabin Sewer		490,444.78	490,444.78		Reclassification	13,321.50	301,685.39		175,437.89
536 - Other Wastewater Revenues									
536.1 - Sewer Access Fees	198,628.11		198,628.11						
536.3 - Operations & Maintenance	831,931.78	(831,931.78)	0.00		Reclassification	(50,159.36)	(831,931.78)		
536.4 - Billing & Collections	50,159.36	(50,159.36)	0.00		Reclassification				
536.5 - Bonding	39,228.47	(39,228.47)	0.00		Pass Thru				
536.6 - Franchise Income	2,582.49	(2,582.49)	0.01		Pass Thru				
536.7 - Blotids	902.04	(902.04)	0.00		Pass Thru				
536.9 - Penalty Fees	16,403.05		16,403.05						
536 - Other Wastewater Revenues - Other			0.00						
419 - Interest Earned			0.00						
421 - Nonutility Income			0.00						
421.3 - Utility Fee			0.00						
421.5 - Developer Income	151,030.00	(151,030.00)	0.00		Non-Rate Base				
421 - Nonutility Income - Other	3,654.59		3,654.59						
Total Income	2,039,720.95	(193,742.99)	1,845,977.96			0.00	0.00	0.00	0.00
Expense									
401 - Operating Expenses									
701 - Salaries and Wages - Employees	450,488.54		450,488.54						
703 - Salaries and Wages - Officers	875.00		875.00						
704.2 - Life Insurance	1,917.14		1,917.14						
704.1 - Worker's Compensation	16,100.14		16,100.14						
705 - Simple IRA	6,320.68		6,320.68						
710 - Purchased Wastewater Treatment	107,923.92		107,923.92						
715 - Purchased Power	132,976.63		132,976.63						
716 - Telemetry Monitoring	157,838.44		157,838.44						
718 - Blotids	3,882.40	(3,882.40)	0.00		Pass Thru				
720 - Materials and Supplies	67,969.56		67,969.56						
731 - Contractual Svc - Professional	48,271.06		48,271.06						
733 - Contractual Svc - Testing	12,305.00		12,305.00						
736 - Contractual Services									
738.01 - Sign-up Costs			0.00						
738.02 - Contract Maintenance	48,724.79		48,724.79						
738.03 - Contractual Svc	376.25		376.25						
738.04 - Subcontract Work			0.00						
738.05 - Access Fees			0.00						
738.08 - Lawn Mowing	21,890.92		21,890.92						
738.10 - One-Call Expenses	5,519.60		5,519.60						
738.11 - Contractual Profit Sharing			0.00						
738.12 - AUG - MGMT Fees	223,460.11		223,460.11						
738.13 - IT Expenses	41,502.01		41,502.01						
738.9 - Adenus Group - MGMT Fees			0.00						
740 - Rent	60,945.00		60,945.00						
750.3 - Registration Rental	288.34		288.34						
750.1 - Fuel	37,055.19		37,055.19						
750.2 - Vehicle Maintenance	30,197.55		30,197.55						
755 - Insurance	17,744.01		17,744.01						
765 - Regulatory Commission Exp.									
765.1 - Rate Case Work	2,809.99		2,809.99						

765.2 - Filing Fee	175.00	175.00	
765.3 - Inspection Fee	7,298.62	7,298.62	
765 - Regulatory Commission Exp. - Other	0.00	0.00	
770 - Bad Debt	0.00	0.00	
775 - Miscellaneous Expenses			
775.21 - Website & Internet Hosting	10,950.83	10,950.83	
775.27 - Equipment Maintenance	6,227.87	6,227.87	
775.26 - Equipment Rental	5,754.92	5,754.92	
775.25 - Small Equipment Purchases	47,141.01	47,141.01	
Lien Filing Fee	0.00	0.00	
775.1 - Telephone	13,241.04	13,241.04	
775.10 - Office Supplies	435.10	435.10	
775.11 - Letter of Credit - Fees	43,710.87	(43,710.87)	Pass Thru
775.12 - Depreciation Expense	111,538.81	111,538.81	
775.18 - Interest Expense	117.87	117.87	
775.2 - Postage	8,866.94	8,866.94	
775.20 - Software Licenses	12,650.00	12,650.00	
775.23 - Maintenance Agreements	77,052.93	77,052.93	
775.3 - Licenses & Permits	690.00	690.00	
775.4 - Membership Dues	0.00	0.00	
775.5 - Dead Registration	0.00	0.00	
775.6 - Franchise Fees	2,580.69	(2,580.69)	Pass Thru
775.8 - Interest on Customer Deposits	720.00	720.00	
775.9 - Billing Costs	860.26	860.26	
775 - Misc Expense			
408 - Taxes Other than Income			
408.1 - Property Taxes	77,933.07	77,933.07	
408.3 - Franchise & Excise	40,240.00	40,240.00	
408.12 - Payroll Taxes	37,955.81	37,955.81	
408.7 - Tax Penalties	0.00	0.00	
409 - Income Tax	0.00	0.00	
428 - Misc. Nonutility Expenses			
428.9 - Lodging	265.83	265.83	
426.9 - Meals & Entertainment	2,773.52	2,773.52	
426.1 - Dues and Subscriptions	936.35	936.35	
426.2 - Bank & NSF Fees	5,378.44	5,378.44	
426.3 - Miscellaneous	3,182.95	3,182.95	
426.4 - Parking	0.00	0.00	
426 - Misc. Nonutility Expense	16,769.73	16,769.73	
427 - Interest Expense	13,237.55	13,237.55	
Total Expense	2,045,891.28	1,995,717.32	
Net Income	(6,170.39)	(149,739.36)	

3-1; Ex. 2-2016 A

Ordinary Income/Expense	Normalized Test		Attribution Period @		Comments	Sq Footage
	Period from Exhibit 1.	A	Adjustments	Rate Adjustments		
Income						
400 - Operating Revenues						
521 - Flat Rate Revenues						
521.1 - Residential-Flat Sewer						
Residential Cabin	840,084.32	224,070.31	1,070,734.63	214,140.63	Escrow Revenue	1,284,885.58
521.2 - Commercial Sewer	15,550.36	4,812.10	20,362.46	41,708.00	Escrow Revenue	81,870.35
Commercial Cabin Sewer	274,632.74	75,854.04	350,487.28	70,037.46	Escrow Revenue	420,224.36
538 - Other Wastewater Revenues	490,444.76	147,117.41	637,562.19	217,533.06	Escrow Revenue	855,085.35
538.1 - Sewer Access Fees	0.00					
538.2 - Operations & Maintenance	196,028.11		196,028.11			
538.3 - Billing & Collections	0.00		0.00			
538.4 - Bonding	0.00		0.00			
538.5 - Franchise Income	0.00		0.00			
538.6 - Bloticle	0.01		0.91			
538.7 - Penalty Fee	0.00		0.00			
538.8 - Other Wastewater Revenues - Other	16,403.05		16,403.05			
419 - Interest Earned	0.00		0.00			
421 - Nonutility Income	0.00		0.00			
421.3 - Utility Fee	0.00		0.00			
421.6 - Developer Income	0.00		0.00			
421 - Nonutility Income - Other	3,854.50		3,854.50			
Total Income	1,843,877.86	451,354.55	2,295,232.51	543,438.07		
Expense						
401 - Operating Expenses						
701 - Salaries and Wages - Employees	450,488.54	(450,488.54)	0.00	556,473.20	See Exhibit 3	556,473.20
703 - Salaries and Wages - Officers	875.00		875.00			
704.2 - Life Insurance	1,917.14		1,917.14			
704.1 - Worker's Compensation	18,100.14	(18,100.14)	0.00	18,783.00	See Exhibit 3	18,783.00
705 - Simple IRA	6,320.66	(6,320.66)	0.00	5,400.00	See Exhibit 3	5,400.00
710 - Purchased Wastewater Treatment	107,823.92		107,823.92			
715 - Purchased Power	132,976.63		132,976.63			
716 - Telemetry Monitoring	167,838.44		167,838.44			
718 - Bloticle	0.00		0.00			
720 - Materials and Supplies	67,890.56		67,890.56			
731 - Contractual Svc - Professional	48,271.06		48,271.06		Escrow Expense	778,049.04
735 - Contractual Svc - Testing	12,305.00		12,305.00			
738 - Contractual Services	0.00		0.00			
738.01 - Sign-up Costs	0.00		0.00			
738.02 - Contract Maintenance	48,724.79		48,724.79			
738.03 - Contractual Svc	376.25		376.25			
738.04 - Subcontract Work	0.00		0.00			
738.05 - Access Fees	0.00		0.00			
738.06 - Lawn Mowing	21,890.82		21,890.82			
738.10 - One-Call Expenses	5,519.60		5,519.60			
738.11 - Contractual Profit Sharing	0.00		0.00			
738.12 - AUG - MGMT Fees	223,460.11		223,460.11	(111,125.00)	Adj ETN Mgr	412,335.11
738.13 - IT Expenses	41,802.01		41,802.01			
738.9 - Adenus Group - MGMT Fees	0.00		0.00			
740 - Rent	60,945.00		60,945.00			
750.3 - Registration Renewal	288.34		288.34			
750.1 - Fuel	37,055.19		37,055.19			
750.2 - Vehicle Maintenance	30,187.55		30,187.55			
755 - Insurance	17,744.81		17,744.81			
765 - Regulatory Commission Exp.	0.00		0.00			
785.1 - Rate Case Work	2,809.89		2,809.89			
785.2 - Filing Fee	176.00		176.00			
785.3 - Inspection Fee	7,298.62		7,298.62			
765 - Regulatory Commission Exp. - Other	0.00		0.00			
770 - Bad Debt	0.00		0.00			
775 - Miscellaneous Expenses	0.00		0.00			
775.21 - Website & Internet Hosting	10,850.83		10,850.83			
				7,767.50	5 Year Amortization	7,767.50
				0.00		0.00
				10,850.83		10,850.83

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715.27 - Equipment Maintenance	6,227.87	6,227.87		8,227.87
715.28 - Equipment Rental	5,754.92	5,754.92		5,754.92
716.25 - Small Equipment Purchases	47,141.01	47,141.01		47,141.01
Lien Filing Fee	0.00	0.00		0.00
715.1 - Telephone	13,241.04	13,241.04		13,241.04
715.10 - Office Supplies	435.10	435.10		435.10
715.11 - Letter of Credit - Fee	0.00	0.00		0.00
715.12 - Depreciation Expense	111,038.81	111,038.81		111,038.81
715.19 - Interest Expense	117.87	117.87		117.87
715.2 - Postage	8,668.04	8,668.04		8,668.04
715.20 - Software Licenses	12,630.00	12,630.00		12,630.00
715.23 - Maintenance Agreements	0.00	0.00		0.00
715.3 - Licenses & Permits	77,852.93	77,852.93	(32,880.00)	44,972.93
715.4 - Membership Dues	890.00	890.00		890.00
715.5 - Dead Registration	0.00	0.00		0.00
715.8 - Franchise Fee	0.00	0.00		0.00
715.9 - Interest on Customer Deposits	0.00	0.00		0.00
715.9 - Billing Costs	720.00	720.00		720.00
715 - Misc Expense	860.26	860.26		860.26
435 - Taxes Other than Income	0.00			0.00
408.1 - Property Taxes	77,853.07	77,853.07	(15,512.39)	61,420.71
408.2 - Franchise & Excise	40,240.00	40,240.00		40,240.00
408.12 - Payroll Taxes	37,855.81		43,851.00	43,851.00
408.7 - Tax Penalties	0.00	0.00		0.00
409 - Income Tax	0.00	0.00		0.00
426 - Misc. Nonutility Expense	0.00	0.00		0.00
428.9 - Lodging	265.83	265.83		265.83
428.9 - Meals & Entertainment	2,773.52	2,773.52		2,773.52
428.1 - Dues and Subscriptions	939.35	939.35		939.35
428.2 - Bank & NSF Fees	5,378.44	5,378.44		5,378.44
428.3 - Miscellaneous	3,182.95	3,182.95		3,182.95
428.4 - Parking	0.00	0.00		0.00
428 - Misc. Nonutility Expense	16,706.73	16,706.73		16,706.73
427 - Interest Expense	13,237.55	13,237.55		13,237.55
Total Expense	1,695,717.32	(510,865.17)	1,494,852.15	2,004,699.27
Net Income	(140,750.36)	982,218.72	812,468.36	(636,291.05)
				776,080.31

Adjust Prior Yr Carryover

Adjust Prior Yr Carryover

See Exhibit 3

3-1; EX. 3

Payroll Analysis

	2016		2017		Comments	IRA Percent	FUI		SUI		FICA Tax	IRA	Workers Comp	
	Base Wages	Adjustments	Base Pay	Base Pay			Wage Base	Wage Base	Wage Base	Tax			Rate	Value
Middle TN														
Operator 1	47,000	1,410	48,410		Standard Inflation		7,000	9,000		42	63	3,703	4.22%	2,043
Operator 2	53,000	1,590	54,590		Standard Inflation		7,000	9,000		42	63	4,178	4.22%	2,304
Operator 3	55,000	1,650	56,650		Standard Inflation	3%	7,000	9,000		42	63	4,334	4.22%	2,391
Accountant	42,000	1,260	43,260		Standard Inflation	3%	7,000	9,000		42	63	3,309	0.19%	82
Receptionist	36,000	1,080	37,080		Standard Inflation	3%	7,000	9,000		42	63	2,837	0.19%	70
Customer Service	35,000	1,050	36,050		Standard Inflation		7,000	9,000		42	63	2,758	0.19%	68
Mowing	31,000	930	31,930		Standard Inflation		7,000	9,000		42	63	2,443	4.22%	1,347
East TN														
Manager	60,520	1,816	62,336		Standard Inflation		7,000	9,000		42	63	4,769	4.22%	2,631
Operator 1	47,920	1,438	49,358		Standard Inflation		7,000	9,000		42	63	3,776	4.22%	2,083
Operator 2	35,000	8,000	43,000		Exam Incentive	3%	7,000	9,000		42	63	3,290	4.22%	1,815
Operator 3	42,400	3,000	45,400		Exam Incentive		7,000	9,000		42	63	3,473	4.22%	1,916
Operator 4	47,000	1,410	48,410		Standard Inflation		7,000	9,000		42	63	3,703	4.22%	2,043
Total Wages	531,840	24,633	556,473							504	756	42,571		18,793

3-1; ex. 4

			2015 Additions	New Base	
Expenses from Exhibit 2	2,216,844.42				
Less F&E Taxes	(53,650.67)				
Revised Expenses	<u>2,163,193.75</u>				
Revenue Required	2,577,677.01				
Franchise Fee	55,809		21,323,472	1,000,000	22,323,472
Excise Fee	26,941		414,483.26		
Revised Profit	<u>331,733.26</u>				
Federal Tax	129,376				
Net Income after Tax	<u><u>202,357.26</u></u>				
% of Revenue	7.9%				
		25/100		0	50000
		6.5%		50001	75000
				75001	100000
				100001	335000
		39%		335001	1000000
					0.15
					0.25
					0.34
					0.39
					0.34

Exhibit 5
Interest Calculations

Account	Monthly Interest	Annual Interest
232.8 First Bank ETN Trucks	120	1440
232.7 First Bank Mini X	230	2760
232.6 First Bank Truck	100	1200
232.5 Lyon Property	110	1320
232.3 WBT 2 Trucks	300	3600
232.4 WBT Truck	165	1980
Total	1025	12300

3-1; Ex. 6

Residential Cabin Detail
2015

Community	Total	Maintenance	B&C	Sewer	Bonding	Escrow	Square Footages	# of Cabins	
Black Bear	2,422.56	1,499.42	144.00	779.14	117.52	709.78	31,296	11	2,845
Brigadoon	1,326.53	832.46	61.50	432.57	53.20	394.06	19,836	4	4,959
Eagle Crest	1,122.66	706.20	49.50	366.96	46.12	334.29	4,868	2	2,434
Elk Springs	-	-	-	-	-	-	-	-	-
Falling Waters	-	-	-	-	-	-	-	-	-
Hidden Springs	2,825.17	1,775.49	124.50	925.18	114.68	842.81	12,378	7	1,768
Legacy Mountain	-	-	-	-	-	-	-	-	-
Legacy Preserve	2,551.50	1,605.00	112.50	834.00	102.84	759.75	13,724	7	1,961
Star Crest I	-	-	-	-	-	-	-	-	-
Sugar Loaf Ridge	383.54	229.69	34.50	119.35	31.32	108.73	4,855	2	2,428
Smoky Cove	5,408.92	3,400.46	241.60	1,766.96	221.62	1,609.65	38,895	12	3,241
Settler's Ridge	1,020.60	642.00	45.00	333.60	41.68	303.90	6,759	2	3,380
Star Crest II	442.26	278.20	19.50	144.56	18.56	131.69	2,850	1	2,850
Summit View	1,394.82	877.40	61.50	455.92	56.94	415.33	8,424	3	2,808
The Highlands	-	-	-	-	-	-	-	-	-
Total	18,898.56	11,846.32	894.00	6,158.24	804.48	5,609.99	143,885	51	2,821

Residential Cabin Detail
2016

Community	Total	Maintenance	B&C	Sewer	Bonding	Escrow
Black Bear	1,669.38	1,026.49	108.50	533.39	70.94	485.90
Brigadoon	2,041.20	1,284.00	90.00	667.20	69.80	607.80
Eagle Crest	1,038.36	652.70	46.50	339.16	36.11	308.97
Elk Springs	-	-	-	-	-	-
Falling Waters	-	-	-	-	-	-
Hidden Springs	-	-	-	-	-	-
Legacy Mountain	158.17	99.15	7.50	51.52	5.98	46.94
Legacy Preserve	3,019.53	1,898.18	135.00	986.35	104.77	898.53
Star Crest I	321.77	201.87	15.00	104.90	11.61	95.56
Sugar Loaf Ridge	426.24	256.80	36.00	133.44	27.92	121.56
Smoky Cove	5,092.16	3,202.87	225.00	1,664.29	174.84	1,516.12
Settler's Ridge	816.48	513.60	36.00	266.88	27.92	243.12
Star Crest II	150.59	94.16	7.50	48.93	5.98	44.57
Summit View	816.48	513.60	36.00	266.88	27.92	243.12
The Highlands	-	-	-	-	-	-
Total	15,550.36	9,743.42	744.00	5,062.94	563.59	4,612.19

3-1; ESCROW RIDER

9/30/2016 Balance	(267,909.31)
8/30/2016 Customers	2824
Rider / Customer	(94.87)
Months to Recover	36
Rider / Customer / Month	(2.64)

Customer Count

2015

	January	February	March	April	May	June	July	August	September	October	November	December
Commercial	1,043	1,062	1,028	826	1,131	1,159	1,159	1,079	1,097	1,107	1,078	1,178
Commercial Cabins	732	730	736	861	738	745	745	745	752	752	747	756
Total Commercial	1,775	1,792	1,764	1,687	1,869	1,904	1,904	1,824	1,849	1,859	1,825	1,934
Residential	727	743	732	888	670	751	755	753	763	763	761	761
Residential Cabins	55	56	56	26	98	45	41	45	43	44	42	51
Total Residential	782	799	788	914	768	796	796	798	806	807	803	812
Total Customers	2,557	2,591	2,552	2,601	2,637	2,700	2,700	2,622	2,655	2,666	2,628	2,746

B&C Residential

82.5	84	84	39	147	67.5	61.5	67.5	64.5	66	63	76.5
1098	1095	1104	1291.5	1107	1117.5	1117.5	1117.5	1128	1128	1120.5	1134

2016

	January	February	March	April	May	June	July	August	September	October	November	December
Commercial	1,169	1,152	1,179	1,176	1,243	1,253	1,268	1,288	1,319	1,328	1,347	1,422
Commercial Cabins	750	748	757	749	747	760	748	747	749	755	742	698
Total Commercial	1,919	1,900	1,936	1,925	1,990	2,013	2,016	2,035	2,068	2,083	2,089	2,120
Residential	763	762	768	761	751	772	762	756	756	763	749	707
Residential Cabins	43	42	44	43	52	46	46	47	50	50	50	48
Total Residential	806	804	812	804	803	818	808	803	806	813	799	755
Total Customers	2,725	2,704	2,748	2,729	2,793	2,831	2,824	2,838	2,874	2,896	2,888	2,875

B&C Residential

64.5	63	66	64.5	78	69	69	70.5	75	75	75	75	72
1125	1122	1135.5	1123.5	1120.5	1140	1122	1120.5	1123.5	1123.5	1132.5	1113	1047

2015 Price Out by Rate Classifications (Source UMS)

	Rate 1	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6	Rate 7	Rate 8	Rate 9	Rate 10	Cabin Residential	Residential	Commercial Cabin	Commercial	Total
Middle TN															
Sewer	183,293.47	5,074.37		10,747.26	21,872.63				119,594.68			320,582.41		97,788.54	418,370.95
Maintenance	216,516.31	8,737.98		11,514.87	28,873.92				10,782.83			274,405.71		54,401.28	328,906.99
B&C	17,687.00	546.00		1,147.50	2,632.50				3,544.50			25,537.50		684.50	28,202.00
Bonding	16,034.38	496.56		1,048.52	2,397.82				3,221.84			23,197.12		602.60	23,799.72
Escrow	118,237.72	3,679.55		6,424.78	14,645.46				14,857.41			157,844.92		41,394.36	199,239.28
Total	531,748.88	16,534.46	-	-	30,880.73	70,422.33	-	-	151,981.26	-	-	801,587.66		194,851.28	996,418.94
# of Customers	11,778.00	364.00	-	-	765.00	1,755.00	-	-	2,363.00	-	-	17,025.00		443.00	17,468.00
Avg # of Customers	981.50	30.33	-	-	63.75	146.25	-	-	196.82	-	-	1,418.75		36.92	1,455.67
Avg Rate # Customer	45.15	45.42	#DIV/0!	#DIV/0!	40.37	40.13	#DIV/0!	#DIV/0!	64.32	#DIV/0!	#DIV/0!	47.08		439.84	57.04
East TN															
Sewer	47,176.29														
Maintenance	90,788.25														
B&C	6,397.50														
Bonding	5,822.26														
Escrow	42,978.27														
Total	193,140.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# of Customers	4,265.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg # of Customers	355.42	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg Rate # Customer	45.29	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	44.94	72.86	201.32	65.82

2018 Price Out by Rate Classifications (Source UMS)

	Rate 1	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6	Rate 7	Rate 8	Rate 9	Rate 10	Cabin Residential	Residential	Commercial Cabin	Commercial	Total
Middle TN															
Sewer	188,130.36	5,277.40			11,453.96	22,474.13			123,741.51			352,077.36		146,077.07	498,154.43
Maintenance	251,135.92	7,007.57			12,447.60	29,670.03			10,748.81			311,009.93		86,978.46	397,988.39
B&C	20,476.50	587.00			1,237.50	2,700.00			3,538.50			28,519.50		726.00	29,245.50
Bonding	15,900.72	439.88			981.08	2,094.35			2,742.28			22,138.31		563.31	22,701.62
Escrow	137,144.48	3,826.78			6,888.01	15,049.28			14,838.08			177,756.81		64,042.49	241,799.10
Total	613,787.96	17,118.63	-	-	32,998.15	71,987.79	-	-	155,609.18	-	-	891,501.71	-	298,387.33	1,189,889.04
# of Customers	13,651.00	378.00	-	-	825.00	1,800.00	-	-	2,359.00	-	-	19,013.00	-	484.00	19,497.00
Avg # of Customers	1,137.58	31.50	-	-	68.75	150.00	-	-	198.56	-	-	1,584.42	-	40.33	1,624.75
Avg Rate # Customer	44.96	45.29	#DIV/0!	#DIV/0!	40.00	39.99	#DIV/0!	#DIV/0!	65.96	#DIV/0!	#DIV/0!	46.89		616.50	61.03
East TN															
Sewer	50,836.91														
Maintenance	97,839.41														
B&C	6,879.81														
Bonding	5,386.65														
Escrow	48,313.70														
Total	207,239.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# of Customers	4,586.54	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg # of Customers	382.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg Rate # Customer	45.18	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	41.79	72.75	207.01	65.39

3-1; TAP4RP UMS Billing Code

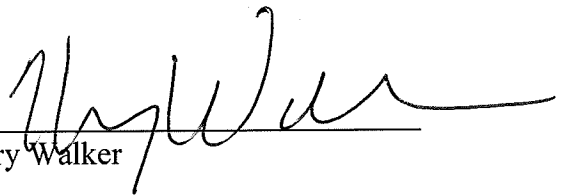
UMS Billing Rate Amounts December 2016

	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 4</u>	<u>Rate 5</u>	<u>Rate 6</u>	<u>Rate 7</u>	<u>Rate 8</u>	<u>Rate 9</u>	Rate 9 Consumption		
										<u>1-300</u>	<u>301-700</u>	<u>701+</u>
Sewer	13.97	13.97			12.59	12.59			6.93			
Maintenance	18.55	18.55			16.62	16.62			4.60			
Treatment Cost												
Bioxide										10.46	6.34	5.81
B&C	1.50	1.50			1.50	1.50			4.56			
Standard Base	34.02	34.02	-	-	30.71	30.71	-	-	1.50			
									17.59			
Franchise Fee		1.32				1.17						
Bonding	1.21	1.21			1.21	1.21			1.21			
Escrow	10.13	10.13			8.43	8.43			6.35			
Total Rate	45.36	46.68	-	-	40.35	41.52	-	-	25.15			

CERTIFICATE OF SERVICE

I hereby certify that on the 26th day of July, 2017, a copy of the foregoing document was served on the parties of record, via electronic delivery and U.S. Mail, postage prepaid, addressed as follows:

Karen Stachowski
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202-0207
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Henry Walker