

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
JOINT PETITION OF TENNESSEE)	
WASTEWATER SYSTEMS, INC.,)	DOCKET NO. 20-00009
AND TPUC STAFF (as a Party) TO)	
INCREASE RATES AND CHARGES)	

DIRECT TESTIMONY OF SUZANNE CHRISTMAN

- Q1. What is your name, position, and business address?**
A. My name is Suzanne Christman. I am the Controller for Tennessee Wastewater Systems, Inc. My business address is 849 Aviation Parkway, Smyrna TN, 37167.
- Q2. What is the purpose of your testimony in this proceeding?**
A. The purpose of my testimony is to provide a general overview of TWSI's operations and a summary of the rate relief the Company is requesting in conjunction with TPUC Staff.
- Q3. Please describe TWSI's utility operations.**
A. TWSI is a public utility as defined in Tenn. Code Ann. § 65-4-101. The utility received its first CCN in 1994 and is engaged in providing wastewater services to over 3,650 residential, commercial and commercial cabin customers in Middle and East Tennessee.
- Q4. When was TWSI's last rate increase?**
A. TWSI's last rate increase was approved by the Commission over ten years ago in 2009 (Docket 08-00202).
- Q5. Why is TWSI requesting rate relief at this time?**
A. TWSI is requesting rate relief to address the widening gap between revenue under the current rates and its growing operational costs. At the time the current rates were approved, TWSI served 1,746 customers. Over the last nine years, the utility's customer base has more than doubled to 3,653 customers (as of January 1, 2020). As the customer base and number of systems the utility owns and operates have increased, so too have the costs to provide service to the customers and to perform the requisite operations and maintenance of the systems.

For 2018, the utility reported a net operating loss of \$352,919 in its Annual Report to the Commission. As shown in the TPUC Staff's schedules, TWSI is projected to have a net operating loss of \$105,550 for the Twelve-Month Attrition Period Ending December 31, 2020.

Q6. Are there any particular expense items TWSI is requesting in this docket?

A. TWSI has not requested any particular expense items; however, the proposed rates will allow TWSI to hire additional personnel and address equipment needs, both of which are essential to the utility's ability to continue providing a high level of service to its customers and keeping its systems operating properly.

Q7. What rate relief is TWSI requesting?

A. TWSI's current rates are insufficient to cover its operating costs and provide a reasonable net operating income. TPUC Staff's calculations show that without the requested relief TWSI will have a revenue deficiency of approximately \$449,198 for the Twelve-Month Attrition Period Ending December 31, 2020. TWSI is requesting that it be allowed to increase rates to eliminate this revenue deficiency. To accomplish this, TWSI supports and recommends the proposed rates and rate design proposed by TPUC Staff and requests that the rate become effective March 9, 2020. If approved, the increase will be realized on customers' April 2020 bills.

Q8. Have customers been notified of the rate increase?

A. Yes. TWSI mailed the attached notice to customers with their most recent billing statement on January 31, 2020. Notice was also posted at TWSI's main office located at 851 Aviation Parkway, Smyrna, TN 37167, East Tennessee office at 1235 East Ridge Rd, Sevierville, TN 37862, and online at the Company's website - <http://www.tennessee wastewater.com>.

Q9. The Company is also proposing to change some of its current terms of service, correct?

A: Yes. The utility's current terms of service have been in place largely since 1997 when the Company established its terms of service in its first tariff. As the company has grown and continues to grow, certain rules, processes and procedures that were established over 20 years ago are no longer practicable for the utility, and it needs to update its terms accordingly.

Q10: Please explain the proposed changes to the terms of service.

A: **Southridge Winter Rates** - The \$125 cap on new customers for establishing their winter rate was removed pursuant to TPUC Staff's compliance review findings in Docket 18-00071.

Southridge Pass-Through True Up - TWSI will annually update the pass-through treatment cost to Southridge customers in June of each year by filing a petition with the Commission with the updated rate being effective upon Commission approval.

Monthly Billing for Capacity Reservation Fees - TWSI is proposing to bill capacity reservation fees for empty lot owners on a monthly basis rather than its current practice of billing on an annual basis. The monthly billing will make it easier for the utility to track lot and home sales which will allow the utility to onboard new customers in a

timelier manner as most builders/developers do not notify the utility when lots/homes are sold. This requires the utility to spend a significant amount of time and expense researching sales to identify when property and/or homes have switched ownership. The switch to monthly billing will also allow TWSI to align its policy with that of its affiliate, Alabama Wastewater Systems, Inc. ("AWSI"), which bills empty lot fees on a monthly basis.

TWSI is also proposing a non-payment fee of 12.5% of the monthly capacity reservation charge for past due capacity reservation fees. It is the utility's belief that this charge will create some incentive for lot owners to pay their capacity reservation fee in a timely manner. This 12.5% fee is consistent with the past due fee charged in Alabama by AWSI.

Capacity Revocation – As noted above, TWSI charges a capacity reservation fee (sometimes referred to as an empty lot fee or access fee) to owners of lots that are capable of receiving sewer service but have yet to connect to the system. This fee is presently charged annually (though as addressed above is proposed to start billing monthly) and over the years has proved to be difficult for the utility to collect.

TWSI's affiliate in Alabama, Alabama Wastewater Systems, Inc. ("AWSI"), charges a similar fee and also struggled to collect the fee from lot owners. In 2015, AWSI successfully petitioned the Alabama Public Service Commission for the ability to revoke capacity to those lot owners that were significantly delinquent in paying their access fees (6 months or more). In the time since the revocation policy was put in place, AWSI has a 99.9% collection rate on the reservation fees, only revoking capacity once.

TWSI proposes a process similar to the one followed in Alabama whereby capacity may be revoked when a customer is more than 6 months delinquent in paying the access fees and interest. TWSI will provide monthly notice beginning on the third month of delinquency to the delinquent customer(s) regarding the possible revocation of capacity. Capacity will be revoked after the 6th month.

Return ACH Fees - TWSI is proposing to add a \$25 charge to customers for returned ACH transactions. The bank charges TWSI a fee for each returned ACH and TWSI does not pass that fee along to the customer. This returned ACH charge will allow TWSI to cover the cost charged to it by the bank as well as cover its internal costs handling and dealing with the return. This charge is consistent with the \$25 fee the utility currently charges customers for returned checks.

Q11. Does this complete your testimony?

A. Yes.

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AT NASHVILLE, TENNESSEE**

IN RE:

**JOINT PETITION OF TENNESSEE
WASTEWATER SYSTEMS, INC.,
AND TPUC STAFF (as a Party) TO
INCREASE RATES AND CHARGES**

DOCKET NO. 20-00009


AFFIDAVIT

I, Suzanne Christman, on behalf of Tennessee Wastewater Systems, Inc.; hereby certify that the attached customer notice relating to the hearing in this docket was mailed to all Tennessee Wastewater Systems, Inc. customers on January 31, 2020 as an insert with their monthly billing statement. The notice has also been posted at TWSI's main office located at 851 Aviation Parkway, Smyrna, TN 37167, East Tennessee office at 1235 East Ridge Rd, Sevierville, TN 37862, and online at the company's website - <http://www.tennesseewastewater.com>. The notices will remain posted until the conclusion of the hearing in this matter.


Suzanne Christman

County of Rutherford)
State of Tennessee)

On this 31st day of January 2020, personally appeared before me, Susan Chaffin, a notary public, the above-named Suzanne Christman known to me personally who was duly sworn and on oath executed the above Affidavit.


Notary

My commission expires:

02/21/2022



Tennessee Wastewater Services, Inc.
851 Aviation Parkway
Smyrna, Tennessee 37167
(888) 323-3687

NOTICE

Dear Valued Customer:

On January 31, 2020, Tennessee Wastewater Services, Inc., filed a Joint Petition with Staff of the Tennessee Public Utility Commission to increase rates for wastewater services. Service rates were last increased on July 8, 2009. The Company has made efforts to control the costs of providing services, but the proposed increases are necessary to cover revenue shortfalls due to increases in operating expenses over the last ten years.

A copy of the Joint Petition and related filings and notices can be found in their entirety on the Dockets Index page of the Commission's website at <http://share.tn.gov/tra/indexes/TRAActiveDocketIndex.htm> under the link for Docket No. 20-00009. If you wish to comment on the Joint Petition, you may do so by sending an email to contact.tpuc@tn.gov with a reference to Docket No. 20-00009 in the subject line of your email.

In sum, Tennessee Wastewater Services, Inc., is requesting the following rate changes for its monthly wastewater service and escrow charges:

<u>RESIDENTIAL CUSTOMERS</u>						
	Current		Proposed		Increase	
Rate Class 1 through 4	\$	44.15	\$	47.75	8.2%	
Rate Class 5 through 8		39.14		42.35	8.2%	
Rate Class 9 (Southridge) *		23.94		23.94	0.0%	
Rate excludes wastewater treatment pass-through surcharge applicable to Rate Class 9.						
<u>COMMERCIAL CUSTOMERS</u>						
	<u>WITHOUT FOOD SERVICE</u>			<u>WITH FOOD SERVICE</u>		
	Current	Proposed	Increase	Current	Proposed	Increase
From 0 to 300 Gallons Per Day	\$ 102.15	\$ 110.80	8.5%	\$ 136.15	\$ 147.70	8.5%
Up To Each Additional 100 Gallons Per Day Up To 1,000 Gallons Per Day Maximum	20.45	22.25	8.8%	24.50	26.65	8.8%
From 1,001 to 2,000 Gallons Per Day	403.25	437.55	8.5%	501.00	543.70	8.5%
Up To Each Additional 1,000 Gallons Per Day	157.95	171.85	8.8%	193.35	210.40	8.8%
<u>COMMERCIAL CABINS (Based on Square Footage per Register of Deeds)</u>						
	Proposed					
From 0 to 2,000 Square Feet	\$	74.00				
From 2,001 to 4,000 Square Feet		86.00				
From 4,001 to 6,000 Square Feet		102.00				
Over 6,000 Square Feet		125.00				
Note: The current rate for Commercial Cabins From 0 to 300 Gallons Per Day is \$69.15.						

The monthly rates proposed above exclude currently authorized riders, surcharges and taxes.

The Joint Petition requests that a rate hearing be conducted in this matter on March 9, 2020, and that the proposed rates become effective upon the Commission's approval. The rate hearing is open to the public and will be held at 1:00 p.m. on March 9, 2020, in the Hearing Room on the Ground Floor of the Andrew Jackson State Office Building, 500 Deaderick Street, Nashville, Tennessee 37243.

AFFIDAVIT

I, Suzanne Christman, being duly sworn, state that I am authorized to make this verification on behalf of Tennessee Wastewater Systems, Inc.; that I have read the foregoing Direct Testimony and Exhibits of Suzanne Christman and know the contents thereof; and that the same are true and correct to the best of my knowledge, information, and belief.

Suzanne Christman
Suzanne Christman

County of Rutherford)
State of Tennessee)

On this 31st day of January 2020, personally appeared before me, Susan Chaffin, a notary public, the above-named Suzanne Christman known to me personally who was duly sworn and on oath executed the above Affidavit.

Susan R. Chaffin
Notary

My commission expires: 02/21/2022

