

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

IN RE:)	
)	
JOINT PETITION OF SUPERIOR)	
WASTEWATER SYSTEMS, LLC)	DOCKET NO. 22-00087
AND TPUC STAFF (AS A PARTY) TO)	
INCREASE RATES AND CHARGES)	

PRE-FILED DIRECT TESTIMONY

OF

CRAIG COX

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

2 A. My name is Craig Cox. I am a Financial Regulatory Analyst with the Utilities Division
3 of the Tennessee Public Utility Commission. My business address is 502 Deaderick
4 Street, Fourth Floor, Nashville, Tennessee 37243.

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

7 A. I earned a bachelor's degree (B.B.A.) in Finance from Middle Tennessee State
8 University. I am also a Certified Public Accountant (CPA) actively licensed in the state
9 of Tennessee (#15645). I have over twenty-five years of professional experience, most of
10 which are in private industry. I have just over five years' experience in government
11 service (federal and state levels). For nearly my entire career, I have served in senior-
12 level analytical roles (both financial and operational). Some of the responsibilities I have
13 had during those years are as follows: leading and managing the corporate budget and
14 quarterly projections processes, along with all associated reporting, for a \$500 million
15 global company; financial manager for several strategic business units; corporate-level
16 project and process management including the implementations of new accounting
17 systems and emerging accounting pronouncements; director of an accounts payable team;
18 and instructor of finance and accounting.

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

20 A. The purpose of my testimony is to present the forecasted cost of providing wastewater
21 service by Superior Wastewater Systems, LLC ("Superior," "SWS," or "Company")
22 over the attrition period ending December 31, 2022. This testimony addresses
23 Superior's expenses and taxes. Cole McCormick, a fellow Party Staff professional, will

1 be addressing Superior's service revenue separately in his testimony, and Joe Shirley
2 will be discussing Superior's revenue deficit at current service rates and the proposed
3 service rates for the attrition period. For ease of reference, I have attached the full set
4 of Commission Party-Staff Exhibit Schedules and Workpapers, which feature revenue,
5 expenses, and taxes, to this testimony. Superior's attrition-year operating expenses and
6 taxes are detailed in Schedules 2, 3, 4, and 6, along with Workpaper 2.01.

7 As reflected in Commission Party Staff Schedules 1 and 2, SWS's forecasted net
8 expenses and taxes total \$158,597 for the attrition period.

9 **Q. Please explain the individual components of the operating expenses and taxes**
10 **forecasted for the attrition period.**

11 **A. Schedule 2, Line 4 – Office Expenses - \$5,467:**

12 Based on discussions with the Company and comparisons to other similar wastewater
13 utilities' expense allowances, a reasonable charge for home office space has been
14 included. The methodology employed to compute this charge involved identifying the
15 home office allowance (\$3,600 annually) for a similar wastewater utility (IRM)
16 determined by the Commission in a Staff-assisted rate evaluation (Docket 15-00130) and
17 adjusting this amount by the change in national GDP index value through SWS's attrition
18 year's midpoint. The result was then adjusted to allow a monthly allowance of \$400. In
19 addition, the 2021 test period amounts for QuickBooks and general office purchases were
20 increased by an inflation factor; the inflation factor for this case was computed by
21 comparing the national GDP index value as of the second quarter of 2022 with the same
22 index value one year earlier (7.54% growth, as shown on Workpaper 3.01). Based on

1 these adjustments, the Company's attrition year Office Expenses are projected at \$5,467,
2 as reflected in Workpaper 2.01.

3 **Schedule 2, Line 5 – Electric Utility Expenses - \$12,607:** Given the inflationary
4 pressures on energy rates, I applied the inflation factor to the \$11,723 test period amount
5 to derive a total attrition year forecast of \$12,607, as reflected in Workpaper 2.01.

6 **Schedule 2, Line 6 – Bank Charges - \$38:** In looking at the last three years' data for
7 Superior, the Company has incurred bank fees ranging from \$0 to nearly \$60 annually.
8 The test period included \$26 for this item. I chose to adjust the test period to \$35 and then
9 applied the general inflation factor to arrive at the attrition period forecast of \$38, which
10 is reflected in Workpaper 2.01.

11 **Schedule 2, Line 7 – Materials and Supplies - \$3,764:** Expenses for Materials and
12 Supplies totaled \$3,260 during 2020 and \$4,144 for the test period. To arrive at an attrition
13 period forecast, I first adjusted the test period expenses to \$3,500 and then allowed growth
14 via the inflation factor. These two adjustments produced an attrition period forecast of
15 \$3,764, which is reflected in Workpaper 2.01.

16 **Schedule 2, Line 8 – Postage Expenses - \$172.** Postage expenses for the test period
17 reflected USPS charges. For the attrition year's forecast, I grew the \$160 test period
18 amount by the inflation factor to arrive at the attrition period forecast of \$172, which is
19 reflected in Workpaper 2.01.

20 **Schedule 2, Line 10 – Contract Services Professional - \$31,297:** Essentially, these
21 expenses have been forecasted in three categories: (1) those professional expenses which
22 occur annually but fluctuate from year-to-year (e.g., financial services, attorney, and CPA
23 fees); (2) engineering fees which are incurred every fifth year as a part of TDEC's State

1 Operating Permit (SOP) review; and (3) a new tank-evaluation expense which is intended
2 to avoid exorbitant tank pumping expenditures, yet still achieve the intended results of
3 the related Williamson County regulations.¹ As for financial services, attorney, CPA, and
4 legal reporting fees, I averaged expenditures for the last three years to arrive at an overall
5 \$27,197 attrition year forecast. After discussions with the Company, I learned
6 engineering costs of approximately \$1,500 are needed every fifth year to comply with
7 TDEC's SOP review; as such, I included the five-year average engineering fee (\$300) to
8 the attrition year's expenses. Lastly, our team learned that Williamson County requires a
9 tank-pumping schedule in order to comply with its wastewater regulations; however,
10 Superior plans to evaluate its tanks' sludge content by employing a "sludge judge"
11 technique to about 110 tanks each year. The annual cost associated with this testing is
12 estimated at \$3,800, and this testing will achieve the purpose for which the county's
13 regulations have been designed. In lieu of employing this sludge judge process, the
14 Company would be forced to pump its tanks on a rigid schedule (regardless of need) at
15 an annual cost in the range of \$100,000 to \$200,000, as estimated by the Company. The
16 sum of these forecasted expenses is \$31,297, which is detailed in Workpaper 2.01.

17 **Schedule 2, Line 11 – Contract Services Testing - \$3,452:** For wastewater-related
18 testing services, the test period expenses have been adjusted to essentially reflect the
19 average expenditures for the most recent three-year period, then grown via the inflation
20 factor. These adjustments result in a forecasted attrition period amount of \$3,452, as
21 detailed in Workpaper 2.01.

¹ Williamson County Regulations for Wastewater Treatment and Land Disposal Systems, Article XII, Section 2.4.

Schedule 2, Line 12 – Charges from Premier Property Management (Affiliate) -

\$75,131: The Company's GL included charges from Premier Property Management ("Premier"). John Powell, the owner of SWC, also wholly owns Premier. Premier provides various services to SWS, such as office administration; in-house bookkeeping; labor and supervision for checking the plants, changing filters, and other general maintenance; mailing services; and other miscellaneous services. For these general services, Premier allocates charges to the Company with no markup over Premier's cost. The test period included \$48,666 of such charges, and I have forecasted the attrition year's amount to be \$51,131 after adjustments and inflationary growth.

In addition, based on discussions with the Company and comparisons to other similar wastewater utilities' expense allowances, it has been determined that a reasonable charge for an executive management fee would be appropriate; heretofore, the Company included no expense related to its owner's oversight and management efforts. The methodology employed to compute this charge involved identifying the Commission-approved executive management fee (\$18,500 annually) for a similar wastewater utility (IRM) included in a Staff-assisted rate evaluation (Docket 15-00130) and then adjusting this amount by the change in national GDP index values through SWS's attrition year's midpoint. The result was then adjusted slightly to allow \$2,000 monthly for this new expense item. Taken together, the attrition period's forecasted expenses for Premier-related services total \$75,131. This amount is detailed in Workpaper 2.01.

Schedule 2, Line 13 – Transportation Expenses - \$699: In looking at the last three years' data for Superior, the Company has incurred average annual transportation expenses of \$650. As such, I chose to reduce the test period to this \$650 average and then

1 applied the inflation factor to arrive at the attrition period forecast of \$699, which is
2 reflected in Workpaper 2.01.

3 **Schedule 2, Line 14 – Repair and Maintenance Expenses - \$18,039:** Based on an
4 evaluation of the Company’s last three years’ expenditures for repair and maintenance, I
5 reduced the \$10,958 test period amount by a net of \$1,279 (including inflationary growth)
6 to an attrition forecast of \$9,679. This amount represents estimated annual amounts paid
7 to outside contractors for specialized repair and maintenance to the wastewater
8 operation’s equipment and systems.

9 During our discussions with the Company, we have added two new items, which I have
10 added to the repair and maintenance category as placeholders. The first item covers those
11 expenses to mow and bushhog the drip fields each year; based on an outside quote, the
12 annual mowing cost sums to \$4,860 per year. (Previously, these expenses were paid by
13 the development’s HOA, but, as specialized grounds, these fields are both utility property
14 and require caution and experience to maintain.) In addition, the Company has indicated
15 it plans to purchase a used service truck from available escrow funding. Given this, an
16 annual expense line item of \$3,500 has been added for repair/maintenance, fuel, and
17 insurance related to the service truck; in past years, no such expenses have been charged
18 to the utility.

19 Accounting for these components of repair and maintenance, I computed the attrition
20 period forecast as \$18,039. More detail is shown in Workpaper 2.01.

21 **Schedule 2, Line 15 – Insurance Expenses - \$3,270:** The Company carries a utility
22 indemnity policy, and the test period’s premium cost was \$2,990. Since the Company’s

1 attrition period is in progress, they have already paid the full premium for 2022, and it is
2 \$3,270. This is reflected in Workpaper 2.01.

3 **Schedule 2, Line 16 – Business Meals Expenses - \$1,075:** The Company incurred \$597,
4 \$2,820, and \$5,117 in business meals expense during 2019, 2020, and 2021, respectively.
5 After learning these expenditures are tied to business- and training-related travel, I chose
6 to allow an adjusted test period base amount of \$1,000 for these types of business meals.
7 After growing this amount by the inflation factor, the forecasted attrition period's amount
8 is \$1,075, which is shown in Staff Workpaper 2.01.

9 **Schedule 2, Line 17 – Miscellaneous Expenses - \$765:** Miscellaneous expenses are
10 composed of document duplication expenses and mobile phone services. As such, I
11 applied the inflation factor to the test period's \$711 to derive an attrition period forecast
12 of \$765, as reflected on Workpaper 2.01.

13 **Schedule 2, Line 18 – Taxes Other Than Income Taxes (TOTIT) - \$6,794:** The
14 Company's TOTIT are comprised of the following components:

- 15 • **Commission Inspection Fee:** This fee is derived by dividing a utility's previous
16 year's revenue in excess of \$5,000 by 1,000, then multiplying this result by \$4.25.
17 For this rate analysis, I used the current (attrition) year's forecasted revenues,
18 instead of the test period's revenues, in order to incorporate the most current
19 Inspection Fee in the Company's cost of wastewater service and, by extension, its
20 revised rates. The computed attrition year Inspection Fee equals \$843.
- 21 • **Williamson County Property Taxes:** The actual test period property taxes were
22 \$4,535, and the actual property taxes billed for the attrition period were \$4,658.
23 These amounts are detailed on Staff Workpaper 2.01.

- 1 • State Franchise Tax: For the Company's attrition year, the actual Franchise Tax
2 amount has been included. This amount is \$512 and is shown on Workpaper 2.01.
- 3 • TDEC Fees: After having discussions with the Company and researching SWS's
4 GL for the last several years, the annual TDEC fee is \$350, except every fifth year
5 when the fee is \$1,000 for the Company's SOP review. Given this uneven annual
6 stream of charges during each five-year cycle, I included the average annual
7 charge of \$480 in the attrition year's cost of service total, as is detailed on
8 Workpaper 2.01.
- 9 • Secretary of State Annual Report Fees: This fee has been \$301, and, as such, I
10 have included this amount in the Company's attrition year TOTIT expenses.

11 Taken together, the total forecasted attrition year amounts for the components above total
12 \$6,794. These are detailed on Staff Schedule 3 and Workpaper 2.01.

13 **Schedule 2, Line 19 – State Excise Tax – (\$3,973) at Current Rates and \$1,103 at**
14 **Proposed Rates:** As reflected on Schedule 4, the (\$3,973) State Excise Tax credit
15 amount at current service rates was determined by applying the statutory tax rate to the
16 attrition period's net operating loss. When assuming a net operating income at proposed
17 rates, the computed State Excise Tax expense equals \$1,103, as is shown on Party Staff
18 Schedule 6.

19 **Q. Were there any test period expenses which were eliminated from your analysis and**
20 **determined not allowable for computing the Company's cost of wastewater service?**

21 **A. Yes. The following items were removed from the test period's expenses:**

22 The following test period expenses have been eliminated from the determination of the
23 revenue deficiency in the attrition period:

- 1 • Surety bond fees: \$1,170 (*covered by financial security surcharge*)
- 2 • Biennial letter-of-credit charge: \$419 (*covered by financial security surcharge*)
- 3 • Non-potable well water charge: \$756 (*erroneous charge intended for separate*
- 4 *non-regulated business owned by John Powell*)

5 These ratemaking adjustments are reflected on Schedule 2 and Workpaper 2.01.

6 **Does this conclude your testimony?**

7 A. Yes it does.

**BEFORE THE
TENNESSEE PUBLIC UTILITY COMMISSION**

IN RE:

**SUPERIOR WASTEWATER SYSTEMS, LLC
RATE CASE
DOCKET 22-00087**

TPUC Party Staff
EXHIBITS and WORKPAPERS

Superior Wastewater Systems, LLC
Exhibits Directory
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

	<u>Schedule</u>
Results of Operations - Operating Margin Method	1
Income Statement at Current Rates	2
Taxes Other Than Income Tax Expense	3
Income Tax Expense at Current Rates	4
Revenue Conversion Factor	5
Income Statement At Proposed Rates	6
Rate Design	7

Superior Wastewater Systems, LLC
Results of Operations - Operating Margin Method
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>Line</u>			
1	Net Operating Income At Current Rates		\$ (57,150) A/
2	Total Operating Expenses	\$ 158,597	
3	Fair Operating Margin	<u>10.00%</u> B/	
4	Required Net Operating Income		<u>15,860</u>
5	Operating Income Deficiency/(Surplus)		\$73,010
6	Gross Revenue Conversion Factor		<u>1.069519</u> C/
7	Revenue Deficiency (Operating Margin Method)		<u>\$78,086</u>
8	Monthly Service Rate Average Percentage Increase		<u>76.97%</u>

A/ Schedule 2

B/ Staff-proposed operating margin

C/ Schedule 5

Superior Wastewater Systems, LLC
Income Statement at Current Rates
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

Line		Test Period	Adjustments	Adjusted Test Period	Growth Adjustments	Attrition Period
1	Residential Service Revenue - Flat Rate	\$96,373 A/	\$0 A/	\$96,373 A/	\$5,074 A/	\$101,447
2	Access Fees - <i>Utility Does Not Charge</i>	0	0	0	0	0
3	Total Operating Revenues	\$96,373	\$0	\$96,373	\$5,074	\$101,447
4	Office Expenses	620	3,600	4,220	1,247	\$ 5,467
5	Electric Utility Expenses	11,723	0	11,723	884	\$ 12,607
6	Bank Charges	1,615	(1,580)	35	3	\$ 38
7	Materials and Supplies Expenses	4,144	(644)	3,500	264	\$ 3,764
8	Postage Expenses	160	0	160	12	\$ 172
9	Contract Services - Billing	0	0	0	0	\$ -
10	Contract Services - Professional	40,661	(11,261)	29,400	1,897	\$ 31,297
11	Contract Services - Testing	3,131	79	3,210	242	\$ 3,452
12	Premier Property Management Charges	48,666	(1,093)	47,573	27,558	\$ 75,131
13	Transportation Expenses	750	(100)	650	49	\$ 699
14	Repair and Maintenance Expenses	10,958	(1,958)	9,000	9,039	\$ 18,039
15	Insurance Expenses	2,990	0	2,990	280	\$ 3,270
16	Business Meals Expenses	5,117	(4,117)	1,000	75	\$ 1,075
17	Miscellaneous Expenses	711	0	711	54	\$ 765
18	Taxes Other Than Income Taxes	6,499	295	6,794	0	\$ 6,794
19	State Excise Tax	0	0	0	(3,973)	\$ (3,973)
20	Total Operating Expenses	\$137,745	(\$16,779)	\$120,966	\$37,631	\$158,597
21	Net Operating Income/(Loss)	(\$41,372)	\$16,779	(\$24,593)	(\$32,557)	(\$57,150)

A/ Revenue only includes those amounts related to providing wastewater services. It excludes receipts generated from escrow and bond cost surcharges.

**Superior Wastewater Systems, LLC
Taxes Other Than Income Tax Expense
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087**

Line No.		Test Period	Adjustments	Attrition Period
1	TDEC Fees	\$ 1,000	\$ (520)	\$ 480
2	Annual SOS Report	\$ 301	\$ -	\$ 301
3	Property Taxes - Williamson County Trustee	\$ 4,535	\$ 123	\$ 4,658
4	Franchise Tax	\$ -	\$ 512	\$ 512
5	Utility Commission Fee	\$ 663	\$ 180	\$ 843 A/
6	Total Taxes Other Than Income Taxes	\$ 6,499	\$ 295	\$ 6,794

A/ Annual Commission fee calculation: ((2022 Revenues less 5,000) / 1000) *\$4.25.

Though annual fee assessed on prior year's revenues, attrition year's proposed revenues used in computation to incorporate the newly computed Commission fee into the Company's attrition year's cost of service.

Superior Wastewater Systems, LLC
Income Tax Expense at Current Rates
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>Line</u>		<u>Attrition Amount</u>
1	Total Operating Revenues	\$101,447 A/
2	Total Operating Expenses Before Excise Tax	<u>162,570</u>
3	NOI Before Tennessee Excise & Federal Income Tax	(\$61,123)
4	Less Interest Expense	<u>\$0 B/</u>
5	Pre-Tax Book Income	(\$61,123)
6	Tennessee Excise Tax Rate	<u>6.50% C/</u>
7	Tennessee Excise Tax Expense	<u><u>(\$3,973)</u></u>

A/ Schedule 2

B/ No debt per GL or Company's annual reports

C/ Statutory State Excise Tax Rate

Superior Wastewater Systems, LLC
Revenue Conversion Factor
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>Line</u>		<u>Amount</u>	<u>Balance</u>
1	Operating Revenues		1.000000
2	State Excise Tax	6.50% A/	<u>0.065000</u>
3	Balance		0.935000
4	Revenue Conversion Factor (Line 1 / Line 3)		<u><u>1.069519</u></u>

A/ Statutory State Excise Tax Rate of 6.50%.

TPUC Party Staff
Exhibit
Schedule 6

Superior Wastewater Systems, LLC
Income Statement at Proposed Rates
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>Line</u>		<u>Current Rates</u>	<u>Rate Increase</u>	<u>Required Rates</u>
1	Residential Revenue	\$101,447 A/		
2	Access Fees - <i>Utility Does Not Charge</i>	\$0		
3	Total Operating Revenues	\$101,447	\$78,086 B/	\$179,533
4	Office Expenses	\$5,467 A/	0	\$5,467
5	Electric Utility Expenses	\$12,607 A/	0	\$12,607
6	Bank Charges	\$38 A/	0	\$38
7	Materials and Supplies Expenses	\$3,764 A/	0	\$3,764
8	Postage Expenses	\$172 A/	0	\$172
9	Contract Services - Billing	\$0 A/	0	\$0
10	Contract Services - Professional	\$31,297 A/	0	\$31,297
11	Contract Services - Testing	\$3,452 A/	0	\$3,452
12	Premier Property Management Charges	\$75,131 A/	0	\$75,131
13	Transportation Expenses	\$699 A/	0	\$699
14	Repair and Maintenance Expenses	\$18,039 A/	0	\$18,039
15	Insurance Expenses	\$3,270 A/	0	\$3,270
16	Business Meals Expenses	\$1,075 A/	0	\$1,075
17	Miscellaneous Expenses	\$765 A/	0	\$765
18	Taxes Other Than Income Taxes	\$6,794 A/	0	\$6,794
19	State Excise Tax	(\$3,973) A/	5,076 C/	\$1,103
20	Total Operating Expenses	\$158,597	\$5,076	\$163,673
21	Net Operating Income/(Loss)	(\$57,150)	\$73,010	\$15,860 D/

A/ Schedule 2

B/ Schedule 1

C/ Schedule 1, Line 7 x Schedule 4, Line 6

D/ Schedule 1

Superior Wastewater Systems, LLC
Rate Design
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

TPUC Party Staff
Exhibit
Schedule 7

<u>Line</u>	<u>Attrition Year Bills</u>	<u>Current Base Rates</u>	<u>Service Revenues at Current Rates</u>	<u>Proposed Base Rates</u>	<u>Proposed Base Revenues</u>	<u>Base Revenue Increase</u>	<u>Proposed Increase %</u>
1 Residential (Rate Class 1)	4,061	\$24.98	\$101,447	\$44.21	\$179,533	\$78,086	77.0%
2 Access Fee - <i>Superior does not charge</i>	0	\$84.00	\$0	\$84.00	\$0	\$0	0.0%
Total Revenue Increase						\$78,086	
Revenue Deficiency						<u>\$78,086</u>	A/
						<u>\$0</u>	

A/ Schedule 1

SUPERIOR WASTEWATER SYSTEMS, LLC
Workpaper Directory
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>Line</u>		
1	Wastewater Service Revenue Priceout	1.01
2	O&M Expenses and Taxes Other Than Income Tax Expense	2.01
3	Inflation Factor	3.01

SUPERIOR WASTEWATER SYSTEMS, LLC
Wastewater Service Revenue Priceout
Current Rates
Docket 22-00087

	2021 Test Period	Growth Adjustment	2022 Attr Period
Residential (Rate Class 1)			
Total Bills	3,858 A/	203	4,061 B/
Base Rate, <i>excl escrow and bond cost components</i>	\$24.98	\$24.98	\$24.98
Residential Base Service Revenue	\$96,372.84	\$5,074.21	\$101,447.05
Total Wastewater Service Revenues	\$96,372.84	\$5,074.21	\$101,447.05

A/ Per 2021 bill register data.

B/ Attrition year bill total based on actual monthly bills through August 2022; remaining 2022 months' bills computed using Company's projection methodology applied to available actual bill amounts.

SUPERIOR WASTEWATER SYSTEMS, LLC

O&M Expense Variance Comp

Source : Profit & Loss Statements, Annual Reports, and Company's GL Data

Docket 22-00087

TPUC Party Staff

Workpaper

2.01

<u>Line</u>	<u>2021 Test Period</u>	<u>Adjustment</u>	<u>Adjusted Test Period</u>	<u>Growth Factor A/</u>	<u>Attrition Period</u>	<u>Comments</u>
1	Allocated charge for office space - NEW ITEM	\$ -	\$ 3,600.00	\$ 3,600.00	\$ 703.16	\$ 4,800.00 2016 attrition-yr IRM office space charge (\$3,600 annually), inflated to 2022 using GDP index data; rounded
2	QuickBooks	\$ 312.80	\$ -	\$ 312.80	\$ 23.59	\$ 336.39 \$481 in 2019/\$241 in 2020/\$312 in 2021
3	Other - Staples, etc.	\$ 307.49	\$ -	\$ 307.49	\$ 23.19	\$ 330.68
4	Office Expenses	\$ 620.29	\$ 3,600.00	\$ 4,220.29	\$ 749.94	\$ 5,467.07
5	Electricity - Middle TN Electric	\$ 11,722.52	\$ -	\$ 11,722.52	\$ 884.18	\$ 12,606.70
6	Smith Manus - surety bond fees	\$ 1,170.00	\$ (1,170.00)	\$ -	\$ -	\$ - remove from base rates; covered by bond cost surcharge
7	Bank fees	\$ 26.00	\$ 9.00	\$ 35.00	\$ 2.64	\$ 37.64 \$56/\$0/\$26
8	Other	\$ 418.57	\$ (418.57)	\$ -	\$ -	\$ - remove from base rates; biennial letter-of-credit charge covered by bond cost surcharge
9	Bank Charges	\$ 1,614.57	\$ (1,579.57)	\$ 35.00	\$ 2.64	\$ 37.64
10	Materials and Supplies	\$ 4,143.75	\$ (643.75)	\$ 3,500.00	\$ 263.99	\$ 3,763.99 \$3.3K in 2020
11	USPS	\$ 160.00	\$ -	\$ 160.00	\$ 12.07	\$ 172.07
12	Other	\$ -	\$ -	\$ -	\$ -	\$ -
13	Postage Expenses	\$ 160.00	\$ -	\$ 160.00	\$ 12.07	\$ 172.07
14	Contract Services - Billing	\$ -	\$ -	\$ -	\$ -	\$ - Premier affiliate charges moved to separate section below
15	WHN Consulting - finance/bookkeeping	\$ 21,100.00	\$ (7,700.00)	\$ 13,400.00	\$ 1,010.71	\$ 14,410.71 3-yr avg = \$13,400
16	Evans, Jones, and Reynolds - Atty fees	\$ 14,685.00	\$ (6,485.00)	\$ 8,200.00	\$ 618.49	\$ 8,818.49 3-yr avg = \$8,200
17	CPA Fees	\$ 732.86	\$ 267.14	\$ 1,000.00	\$ 75.43	\$ 1,075.43 \$1.5K in 2020
18	Farris Bobango Branan - Atty fees	\$ 2,550.00	\$ -	\$ 2,550.00	\$ 192.34	\$ 2,742.34 similar amt in 2020
19	Civil Infrastructures - engineering (TDEC SOP)	\$ 1,400.00	\$ (1,100.00)	\$ 300.00	\$ -	\$ 300.00 use 5-yr average; \$1,500 every 5 years needed for TDEC SOP review
20	Court Reporting Services	\$ 193.23	\$ (43.23)	\$ 150.00	\$ -	\$ 150.00 nothing in 2019-2020
21	Check tanks ("sludge judge") every 3 yrs - NEW ITEM	\$ -	\$ 3,800.00	\$ 3,800.00	\$ -	\$ 3,800.00 To address Williamson Co tank regs ; est \$20/person * 2 ppl*.75 hrs*110 tanks/yr, along w 15% overhead ch
22	Contract Services - Professional	\$ 40,661.09	\$ (11,261.09)	\$ 29,400.00	\$ 1,896.97	\$ 31,296.97
23	James Johnson	\$ 3,000.00	\$ -	\$ 3,000.00	\$ 226.28	\$ 3,226.28 similar amts in 2019/2020
24	Microbac Labs	\$ 131.25	\$ 78.75	\$ 210.00	\$ 15.84	\$ 225.84 3-yr avg = \$210 (\$99/\$389/\$131)
25	Other	\$ -	\$ -	\$ -	\$ -	\$ -
26	Contract Services - Testing	\$ 3,131.25	\$ 78.75	\$ 3,210.00	\$ 242.12	\$ 3,452.12
27	JP insurance reimbursements, WComp, and employer-paid taxes	\$ 11,281.93	\$ (281.93)	\$ 11,000.00	\$ 829.69	\$ 11,829.69 Amt \$14.7K in 2020; \$0 in 2019
28	Labor, supervision - checking plant, cleaning filters, repair/maint, etc.	\$ 22,234.16	\$ (734.16)	\$ 21,500.00	\$ 1,621.66	\$ 23,121.66 Amt \$21.7K in 2020; N/A in 2019
29	Office administration and bookkeeping	\$ 14,077.00	\$ (77.00)	\$ 14,000.00	\$ 1,055.96	\$ 15,055.96 Amt \$12.9K in 2020
30	Postage	\$ 347.77	\$ -	\$ 347.77	\$ 26.23	\$ 374.00 Amt \$304.90 in 2021; N/A in 2019
31	Executive management fee (J. Powell) - NEW ITEM	\$ -	\$ -	\$ 18,500.00	\$ 3,613.45	\$ 24,000.00 2016 attrition-yr IRM exec mgmt fee (\$18,500 annually), inflated to 2022 using GDP index data; rounded up
32	Other	\$ 725.20	\$ -	\$ 725.20	\$ 24.80	\$ 750.00
33	Premier Property Mgmt (affiliate) Charges	\$ 48,666.06	\$ (1,093.09)	\$ 66,072.97	\$ 7,171.79	\$ 75,131.31 Premier - affiliate charges
34	Transportation Expenses	\$ 750.23	\$ (100.23)	\$ 650.00	\$ 49.03	\$ 699.03 3-yr avg = \$650
35	Rock City Machine	\$ 6,175.70	\$ 324.30	\$ 6,500.00	\$ 490.27	\$ 6,990.27 \$7K in 2020
36	Terry Engle	\$ 540.00	\$ (40.00)	\$ 500.00	\$ 37.71	\$ 537.71 \$495 in 2020
37	Tinglo Soxayaseng	\$ 784.00	\$ (284.00)	\$ 500.00	\$ 37.71	\$ 537.71 \$247 in 2020
38	Anglin Septic Svc	\$ -	\$ 500.00	\$ 500.00	\$ 37.71	\$ 537.71 \$1.1K in 2020
39	Clint Nichols	\$ 1,580.96	\$ (1,080.96)	\$ 500.00	\$ 37.71	\$ 537.71 only \$217 in 2020
40	James Esmond - Electrician	\$ 1,025.00	\$ (525.00)	\$ 500.00	\$ 37.71	\$ 537.71 only \$220 in 2020
41	Perkins/Whitsey	\$ 96.00	\$ (96.00)	\$ -	\$ -	\$ - nothing in 2019-2020
42	Non-Potable Well Water (separate, non-regulated business)	\$ 756.00	\$ (756.00)	\$ -	\$ -	\$ - remove; related to non-regulated operations
43	Drip fields' lawn maintenance/mowing - NEW ITEM	\$ -	\$ -	\$ -	\$ 4,860.00	\$ 4,860.00 quote provided for mowing of two drip fields
44	Service truck maintenance, fuel, and insurance allowance - NEW ITEM	\$ -	\$ -	\$ -	\$ 3,500.00	\$ 3,500.00 purchase of service truck from escrow funds
45	Repair and Maintenance Expenses	\$ 10,957.66	\$ (1,957.66)	\$ 9,000.00	\$ 9,038.83	\$ 18,038.83
46	Insurance Expenses	\$ 2,990.00	\$ -	\$ 2,990.00	\$ 280.00	\$ 3,270.00 indemnity insurance policy
47	Meals and Entertainment Expenses	\$ 5,117.20	\$ (4,117.20)	\$ 1,000.00	\$ 75.43	\$ 1,075.43 Allow base amt for business- and training-related travel (\$600/\$2.8K/\$5K)
48	Copies	\$ 224.90	\$ -	\$ 224.90	\$ 16.96	\$ 241.86
49	AT&T	\$ 486.21	\$ -	\$ 486.21	\$ 36.67	\$ 522.88
50	Other	\$ -	\$ -	\$ -	\$ -	\$ -
51	Miscellaneous Expenses	\$ 711.11	\$ -	\$ 711.11	\$ 53.64	\$ 764.75
52	Tennessee Public Utility Commission	\$ 663.32	\$ -	\$ 663.32	\$ 180.10	\$ 843.42 computed via formula using proposed rates; corrected bond surchg to credit; incl escrow + bond-cost surchar
53	Williamson Co Trustee - Property Taxes	\$ 4,535.00	\$ -	\$ 4,535.00	\$ 123.00	\$ 4,658.00 Attrition period is actual property tax assessment
54	TDEC	\$ 1,000.00	\$ (520.00)	\$ 480.00	\$ -	\$ 480.00 use 5-yr average; \$350/yr for 4 years, then \$1,000 the fifth year for SOP review by TDEC (see related \$1,500)
55	TN SOS Annual Report	\$ 300.95	\$ -	\$ 300.95	\$ -	\$ 300.95
56	Franchise Tax	\$ -	\$ 627.00	\$ 627.00	\$ (115.00)	\$ 512.00 franchise tax not incl in GL; error, per Hal; actual amts paid for 2021 and 2022
57	Taxes Other Than Income Taxes	\$ 6,499.27	\$ 107.00	\$ 6,606.27	\$ 188.10	\$ 6,794.37
58	State Excise Taxes	\$ -	\$ -	\$ -	\$ (3,973.00)	\$ (3,973.00)
59	Total Operating Expense at <u>Current Rates</u>	\$ 137,745.00	\$ (16,966.84)	\$ 139,278.16	\$ 16,935.73	\$ 158,597.28

Superior Wastewater Systems, LLC
Calculation of Estimated Inflation Factor
For the 12 Months Attrition Period Ending December 31, 2022
Docket 22-00087

<u>YEAR</u>	<u>QUARTER</u>			
	<u>7/1 - 9/30</u>	<u>10/1 - 12/31</u>	<u>1/1 - 3/31</u>	<u>4/1 - 6/30</u>
2020-21	113.888	114.439	115.652	117.413
2021-22	119.115	121.188	123.615	126.269
ESTMATED ANNUAL INFLATION RATE FOR MOST RECENT QUARTER				7.54%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Table 1.1.9 (information available a

Computation of Growth from 2016 to 2022 for Office Space Charge and Exec Mgmt

<u>YEAR</u>	<u>Q2</u>
2016	105.636
2022	126.269