

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

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

PRE-FILED DIRECT TESTIMONY

OF

COLE MCCORMICK

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

2 A. My name is Cole McCormick. I am a Utilities Consultant within the Utilities Division
3 for 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 B.S. degree in Business Administration, majoring in accounting from
8 Tennessee Technological University in 2017. I am currently pursuing an MBA degree
9 from Middle Tennessee State University. I started with this Commission in 2019 and in
10 my role with the Commission I have worked on several cases and reviews for natural gas,
11 electric, water, and wastewater public utilities. Examples of my duties include evaluating
12 applications for certificates of public convenience and necessity, reviewing the annual
13 reports, quarterly reports, and monthly reports for regulated utilities, and conducting
14 financial analysis on rate cases for Piedmont Natural Gas Company (Docket No. 20-
15 00086) and Kingsport Power Company (Docket No. 21-00107).

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

17 A. The purpose of my testimony is to present the forecast of Superior Wastewater
18 Systems, LLC's ("Superior" or "Company") revenues under existing and projected
19 rates during the Attrition Period ending December 31, 2022. My presentation is a result
20 of an analysis that incorporates the projected operating revenues, expenses, and taxes
21 of the Company. The ratemaking calculations discussed in my testimony are presented
22 in the Exhibits, Schedules, and Workpapers attached to the Pre-filed Direct Testimony
23 of Party Staff Witness Craig Cox.

1 **Q. Please explain the forecast of Operating Revenues and the resulting earnings at**
2 **Present Rates for the Attrition Period.**

3 **A. Schedule 2, Line 3 - Wastewater Revenue – Residential (Rate Class 1) – Flat Rate-**
4 **\$101,447. Net operating loss (\$57,150) – Schedule 1, Line 1:** As reflected on TPUC
5 Party Staff Exhibit, Schedule 1, the forecast of operating revenues at present rates resulted
6 in a net operating loss of (\$57,150) for the Attrition Period. This amount represents the
7 forecasted Wastewater Revenue from Residential Customers which the Company should
8 realize during the Attrition Period, absent any rate relief. Superior currently only serves
9 residential customers and based on information obtained from the Company, I determined
10 that no new customer classes were anticipated to be added to service during the Attrition
11 Period.

12 To forecast wastewater service revenue, I first examined the number of residential
13 customers being billed according to the Company's bill registers during the Test Period
14 and performed a revenue price-out, as reflected on Workpaper 1.01. At the end of the
15 Test Period, the Company's supporting documentation demonstrates 3,858 customer bills
16 were issued during fiscal year 2021. Assuming each customer was billed 12 times in a
17 year, there was an average of 321.5 residential customers during the Test Period.
18 Additional bill registers obtained from the Company were provided through August 2022.
19 The period of September 2022 through December 2022 was estimated using the
20 Company's forecasted growth formula. Using these sources, I determined that a
21 reasonable allowance for additional customer growth through the end of the Attrition
22 Period would be an average of 17 new residential customers, producing 203 additional
23 bills during the Attrition Period. Thus, I estimate a total of 4,061 residential customer

1 bills will be issued during the Attrition Period. Taking the current sewer rate of \$24.98
2 multiplied by the 4,061 customer bills, I calculated Attrition Period revenues to be
3 \$101,447 as reflected on Workpaper 1.01.

4 **Q. Please explain the newly proposed rates and their effect on revenues and Company**
5 **earnings for the Attrition Period.**

6 **A. Schedule 7, Line 1 - Wastewater Revenue – Residential (Rate Class 1) – Flat Rate-**
7 **\$179,533. Net operating income \$15,860 – Schedule 6, Line 21:** Staff recommends
8 increasing the sewer rate from \$24.98 to \$44.21, a 77.0% increase in flat sewer rates,
9 which increases revenue from the current annual level of \$101,447 to \$179,533 as
10 reflected on Schedule 7. This revenue increase will produce a projected net operating
11 income of \$15,860 as opposed to the projected current net operating loss of (\$57,150)
12 under current rates. This is reflected on Schedule 6 of Staff's exhibit. Of note, Superior's
13 flat sewer rate has not been increased since October 2005, the date when the Company
14 obtained its initial CCN.

15 **Q. Are there any other aspects of this case that should be discussed?**

16 **A.** Yes, there is a provision for "access fees" in the existing tariff of Superior. This fee is
17 typically applied to lot owners that have the availability of sewer service but have not yet
18 constructed homes. According to the testimony of John Powell, Superior Wastewater's
19 President, this annual access fee has not been applied to Superior's customers due to the
20 operating nature of the Company. Thus, the parties of this case have agreed to remove
21 access fees from Superior's tariff. The Company, however, has the option to request an
22 annual access fee for future developments should circumstances change.

1 **Does this conclude your testimony?**

2 A. Yes, it does.