

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**Nashville, Tennessee**

**PETITION OF TENNESSEE )  
WASTEWATER SYSTEMS, INC. )  
FOR APPROVAL OF CAPITAL )  
IMPROVEMENT SURCHARGES )  
AND FINANCING ) DOCKET NO. 14-00136  
ARRANGEMENTS )**

**REBUTTAL TESTIMONY  
OF  
ROBERT T. BUCKNER**

**ON BEHALF OF TENNESSEE WASTEWATER SYSTEMS, INC.**

**July 6, 2015**

1 **Q. Please state your name, business name and address for the record.**

2 A. My name is Robert T. ("Terry") Buckner. I am operating as a sole  
3 proprietorship, Robert T. Buckner CPA, 2783 Saundersville Ferry Road,  
4 Mount Juliet, Tennessee 37122.

5  
6 **Q. On whose behalf are you testifying in this docket?**

7 A. I am submitting rebuttal testimony on behalf of Tennessee  
8 Wastewater Systems, Inc. ("the Company").

9  
10 **Q. Have you filed Direct Testimony on behalf of the Company in this docket?**

11 A. No.

12  
13 **Q. How long have you been employed in conjunction with the public utility  
14 industry?**

15 A. I have been employed with the public utility industry for over thirty-  
16 five years. Before my retirement from the Office of the Attorney  
17 General for the State of Tennessee ("AG Office"), I was employed by the  
18 Comptroller's Office for the State of Tennessee for nearly two years as the  
19 Assistant Director responsible for public utility audits after approximately  
20 eight years of prior employment with the AG Office. I was employed by the  
21 Comptroller's Office for the State of Tennessee for nearly two years as the  
22 Assistant Director responsible for public utility audits after approximately  
23 eight years of prior employment with the AG Office. Formerly, I was  
24 employed with the Tennessee Public Service Commission ("Commission") in  
25 the Utility Rates Division as a financial analyst for approximately six years.

1 My responsibilities included testifying before the Commission as to the  
2 appropriate cost of service for public utilities operating in Tennessee. Prior  
3 to my employment with the Commission, I was employed by TDS Telecom  
4 for eight years and the First Utility District of Knox County for three years.  
5

6 **Q. What is your educational background, and what degrees do you hold?**

7 A. I have a Bachelor's degree in Business Administration from the  
8 University of Tennessee, Knoxville - with a major in Accounting.  
9

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of my rebuttal testimony is to rebut the Consumer  
12 Advocate's ("CAPD") supplemental testimony<sup>1</sup> as follows: The Consumer  
13 Advocate's supplemental testimony states,

14 "No. It appears that the Company has purposely  
15 removed the revenue stream from capacity release  
16 and tap fee revenues from the utility books and  
17 records. It is very likely that this diversion has  
18 caused the current utility rates to be higher than  
19 they otherwise would have been."  
20

21 **Q. Mr. Novak states that the Company's current rates were set without  
22 consideration of the revenues from the sale of capacity and taps and  
23 therefore that the current rates are "very likely" higher than they would  
24 have been if that revenue had been taken into account. Do you agree with  
25 that statement?**

26 A. No. The current rates were established in TRA Docket #08-00202.

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<sup>1</sup> Supplemental Testimony of William H. Novak, Page 7, Lines 11-14.

1 I personally worked on that case on behalf of the CAPD and filed direct  
2 testimony and exhibits as the accounting witness for the CAPD. During  
3 discovery, the Company made the books and records of both its regulated  
4 and unregulated entities available to the CAPD and the TRA staff. As I  
5 noted in my direct testimony (at page 15, lines 12-15), the Adenus  
6 companies were engaged in both regulated and unregulated operations but,  
7 given the time limits of a rate case, there was insufficient time to make a  
8 full investigation as to whether the unregulated operations should be  
9 moved to the regulated books of the Company. Nevertheless, we were all  
10 well aware of the issue. In fact, the TRA later opened a new docket (09-  
11 00033) to investigate the operations of affiliates in the wastewater industry.  
12 Unfortunately, the agency never moved forward in that docket and it was  
13 finally closed in 2013.

14  
15 **Q. After examining those books, did you recommend any adjustments to the**  
16 **allocations of costs and expenses among the regulated and unregulated**  
17 **affiliates?**

18 **A.** Yes. My goal was to make sure that all costs and expenses were  
19 allocated with a just and reasonable methodology among the various  
20 regulated and unregulated entities. As explained in my direct testimony, I  
21 recommended that the Company adopt allocation procedures that the CAPD  
22 and the TRA had recently used in the regulation of a large gas company that  
23 also had both regulated and unregulated operations. Using those  
24 procedures, a number of changes were made to the Company's  
25 books, which resulted in shifting costs to unregulated affiliates, thus

1 reducing the Company's revenue requirement. During settlement  
2 negotiations, the Company agreed to those changes and settled the case  
3 with the CAPD. The TRA approved the settlement and the Order issued in  
4 that case directed the Company to "directly allocate corporate costs" (Order  
5 at p. 5).

6  
7 **Q. Are the rates established in TRA Docket #08-00202 still in effect today?**

8 A. Yes. Therefore, when Mr. Novak talks about the Company's rates, he  
9 is talking about the rates that were set in TRA Docket #08-00202.  
10 Consequently, it is misleading and perhaps inaccurate for him to say that  
11 these rates are "very likely" higher than they would be if the revenue from  
12 capacity sales were taken into account. For example, what about the direct  
13 costs associated with those sales? Mr. Novak apparently thinks that the  
14 Company should benefit from the revenues from the sales of capacity, but  
15 he does not mention who pays the costs of building and maintaining that  
16 excess capacity. He was not involved in TRA Docket #08-00202 and is  
17 probably not aware of what occurred in that docket. As previously stated,  
18 the current rates are based on a just and reasonable allocation of expenses  
19 between the regulated and unregulated operations of the Aenus entities.  
20 There is no reason to believe that the Company's current rates would be any  
21 lower if all of the revenues and costs associated with the sales of capacity  
22 and taps were moved from the unregulated books of Aenus Capacity to the  
23 books of the regulated Company. To the contrary, if Aenus Capacity or  
24 another unregulated affiliate makes an investment in excess capacity that is  
25 being held for future use, shifting the cost of that investment from the

1 books of the unregulated entity to the regulated operations of the  
2 Company could well result in an increase in regulated rates, not a decrease.  
3

4 **Q. Are you making any recommendation as to whether the investment in**  
5 **excess capacity and the subsequent sale of that capacity should be**  
6 **considered part of the Company's regulated operations?**

7 A. No. I have not examined the Company's books since 2009 and have  
8 no personal knowledge concerning how the Company operates today. The  
9 question of whether an investment in excess capacity that is not currently  
10 needed to serve customers should be a regulated or unregulated  
11 transaction is a decision for the TRA to make at the time of the Company's  
12 next rate case. It is a complicated issue and it is not at all clear which  
13 decision would benefit customers. My purpose in testifying is simply to tell  
14 the Authority that the unregulated operations of Adenus affiliates is not a  
15 new issue, that we looked at this issue in TRA Docket #08-00202, and that  
16 the company's current rates, which are based on the adjustments that I  
17 recommended, reflect what I believed at that time to be an appropriate  
18 allocation of expenses between the regulated and unregulated operations  
19 of the Adenus companies. Based on my investigations in the last rate case,  
20 there is no reason that to believe that the Company's rates established in  
21 that case would be any lower if the costs and revenues associated with the  
22 development of excess capacity had been considered part of the Company's  
23 regulated operations.  
24  
25

1 Q. Does this conclude your testimony?

2 A. Yes.

3