

*****July 25 2012*****

The Signal Mountain Town Council held a special meeting on Wednesday, July 25, 2012, at 2:30 p.m. in the Town Hall. Those present were:

Mayor Bill Lusk
Vice Mayor Susan Robertson
Councilmember Annette Allen
Councilmember Dick Gee

Also present were: Town Manager Honna Rogers
Town Recorder Carol White

Present from Tennessee
American Water were: Director of Rates, Gary VerDouw
Manager of Operations, Kevin Rogers

Discussion

Honna Rogers began by welcoming representatives from Tennessee American Water Company. She thanked them for coming and asked them to explain their rate study and how it was performed.

Mr. VerDouw explained that Gannett Fleming, an independent consulting company, prepared a Cost of Service study. Mr. VerDouw further explained that the study was put together using the plant records of TAWC which included the cost of their pipes, meters, all of their assets, and operating expenses.

Mr. VerDouw stated that the study showed that the proposed increase allocates the costs across four rate classes: residential, commercial, industrial, and "sale for resale." He then stated that based on the study, "sale for resale" customers should bear about \$2 million of the total \$54 million annual revenue that is being requested.

Mr. VerDouw then stated that TAWC proposes to reduce the revenue required from "sale for resale" customers from \$2 million to \$1.6 million annually, a discount of 25%. TAWC also proposes to standardize what are currently four different rates for "sale for resale" customers into one rate that would be the same for all.

According to Mr. VerDouw, TAWC has proposed a two-step increase. The first 45,000 CCF in sales would cost \$1.15 and anything over that would cost \$2.00 per CCF. He stated that in the prior calendar year, Signal Mountain only had three months when it used above 45,000 CCF's.

Mayor Lusk asked if this standardized rate considered the cost of providing service to all "sale for resale" customers.

Mr. VerDouw replied that the cost of service for the whole system was used to come up with the rates in an attempt to set up a uniform rate for resale customers. He said that he understands there are differences between what we provide and what other customers provide. However, this discrepancy was not addressed in the rate increase. He further stated that TAWC does not have a current contract with the Town, but that it is open to addressing any special circumstances as part of the terms of a future contract.

Mayor Lusk asked if it was fair to say that the rates that Tennessee American is proposing for its wholesale customers were averaged across all of those customers. Mr. VerDouw responded in the affirmative.

The Mayor went on to ask why the Town should be expected to pay the same rate as other customers when it provides the pumps, the electricity, and the maintenance for those pumps. Shouldn't TAWC's rate reflect those expenses?

Mr. VerDouw responded that this was something that could be negotiated in a contract. He stated again that TAWC is open to that consideration, but he felt it should be a private discussion held outside of a rate proceeding before the TN Regulatory Authority.

Mayor Lusk then suggested that it appeared that TAWC's rate increase requested to have current capital expenditures fully paid rather than amortized over the life of those assets.

Mr. VerDouw said that TAWC is only seeking to get a return on those assets. That doesn't mean that they would be fully paid for at this time. For instance, TAWC has about \$25 million invested in additional capital spending in this case that is over and above their last case.

Mr. VerDouw explained that the majority of this case is not cost driven, but mostly capital driven. Part of the reason for asking for an increase is that TRA set an authorized revenue level based on usage. Due to individual conservation efforts, people are using less water and TAWC is not earning what was authorized so it is asking to make up some of that loss of revenue.

Mayor Lusk stated that other companies generally get a 2 to 3% increase a year, not the 11% to 14% increase received by Tennessee American.

Ms. Rogers asked how often Tennessee American does a rate study.

Mr. VerDouw replied that the last three increases have been about 2 years apart. Part of their yearly budgeting process is the evaluation of the need for rate increases.

Most of that is driven by their capital needs and when they plan to put that capital into service.

Ms. Rogers inquired if Tennessee American had looked at doing a long term analysis so that people could plan for upcoming rates.

The August 13, 2012 regular meeting agenda was discussed as follows:

- CVS Beer Sale Permit
- Resolution amending the pavement amount (cost overrun)
- A resolution authorizing the Town Manager to sign a gym floor contract
- Resolution approving the purchase of a Water Department flatbed truck
- A resolution approving the purchase of a utility tractor

Mayor Lusk asked that Ms. Rogers obtain an estimate of the cost to air condition the gym.

Ms. Rogers told Council that she had received a request from Representative Floyd asking for local support of a bill he has proposed in the House.

Ms. Rogers informed the Council that she and Chief Veal met with the new high school principal, Ms. Cobb, and two new vice-principles. She felt that this was a productive meeting.

Mayor Lusk asked about updating the "sports sign." Council discussed several options for signage for the Town. There was consensus that the Council wants to see Home of the Eagles added to the welcome sign.

Councilmember Gee mentioned the following:

- Norris Field: a resident expressed concern that the field would be used for flag football and would not be used for the activities of small children.
- Christmas Train: there was some discussion as to the support the Town could offer for the maintenance of the train.
- Strategic Planning: Councilmember Gee asked the timing of future strategic planning. Ms. Rogers informed him that this was typically done in January after the election of Council members.

With no further business, the meeting was adjourned.



Recorder



Bill Lusk, Mayor