

TENNESSEE REGULATORY AUTHORITY



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

VIA FACSIMILE AND US MAIL

October 7, 2011

Mr. Charles Hyatt - President
Tennessee Wastewater Systems, Inc.
851 Aviation Parkway
Smyrna, TN 37167

RE: Docket No. 11-00112 – Audit of the Transactions in Tennessee Wastewater Systems, Inc. Escrow Account.

Dear Mr. Hyatt:

In order to assist the Staff in its audit of Tennessee Wastewater Systems' Escrow Account, please provide the information requested in the attached Staff Data Request No. 1, no later than Friday, October 21, 2011. Since the information should be readily available, we do not anticipate that any extension will be needed. Should you have any questions regarding this request, please contact Patsy Fulton at (615) 741-2904 ext. 193 or Paul Greene at (615) 741-2904 ext. 156.

Sincerely,

David Foster, Chief
Utilities Division

Enclosure

C: Matt Pickney

DATA REQUEST NO. 1

1. For the month of September 2010, tie all of the amounts shown on the "Transactions by Account" Summary to the escrow deposits (showing how the amount to be deposited was determined), supporting invoices for escrow charges and escrow withdrawals. Your explanation should detail how each amount on the "Transactions by Account" Summary is determined.
2. When are the Maintenance Visit Reports (MVRs) prepared/completed and by whom? Many, if not all, appear to be completed by the same person.
3. Many of the MVRs are incomplete and very hard to read. Considering that, how does the Company ensure that MRVs are accounted for properly? Describe what steps the Company will take to ensure all information is completed on the MVRs going forward. [Examples: 10/29/10 Tank Pumping -No address; 11/15/10 Replaced check valves in PS2-no address + price question mark on Adenus part; 3/18/10 Replaced Control Panel – no amount-no initials; 3/2/10 Replaced Line Section-no materials used were listed.]
4. Staff would like to see a trouble report or a detailed description of the problem that necessitated the maintenance visit. Describe how this information could be included on the MVR.
5. Describe Adenus's policy for determining the amount of travel time that is charged to TWWS.
6. Provide justification for the duplicate charges for each tank pumping, i.e. one charge from Adenus and one charge from the third party vendor doing the pumping. [Example: 9/10/10 Tank Pumping charged by Elite \$250.00. Additional charge from Adenus for \$300.00.] Explain why an Adenus representative needs to be present at the tank pumpings in addition to the third party vendor.
7. According to many MVRs, both Adenus and a third party vendor charge TWWS on the other projects as well. [Examples: 10/11/10 – "*Robbie to the Rescue*" charged \$145, Adenus charged \$360; 9/13/10 – "*Robbie to the Rescue*" charged \$659.56, Adenus charged \$480.] Please explain in detail the work/service performed by Adenus and the vendor for the examples cited above.
8. Based on MVRs the past two (2) years, the cost for replacing and repairing emitter pipes has exceeded \$65,000. What criteria determined that all/most of the emitter pipe should be replaced in the drip field at Abbington Ridge and McLemore Farms?
9. Referencing the Abbinton Ridge and McLemore Farms projects, provide a detailed description of :
 - a. Emitter pipes and their function;
 - b. The work involved in replacing emitter pipes;
 - c. The type(s) of emitter pipe originally used in Abbington Ridge and McLemore Farms; and
 - d. The type(s) of emitter pipe used to replace them.

10. Considering the major expense for replacement of emitter pipes, did TWWS send out a Request for Proposal (RFP) for competing bids for the projects at Abbington Ridge and McLemore Farms? If no, explain how a contractor was chosen. If yes, provide a copy of the RFP.
11. Explain under what circumstances invoices are paid out of escrow prior to the date of service. [Example: Invoice dated 9/1/10 was included in the August 2010 MVRs.]
12. Explain TWWS' procedures to ensure that expenses paid out of escrow (subsequently billed to a customer, insurance company, builder, or developer and payment received) are reimbursed to the escrow account. Provide documentation to support the reimbursement of escrow funds for the following:
 - a. 8/2/10 invoice to Electric Company (Electric Company broke line);
 - b. 9/22/10 MVR for Oak Pt. for \$150 plus the material charge from Adenus (owner was billed);
 - c. 3/2/10 Southeast Environmental Engineering, LLC ("SEE") invoice for service on 2/19/10 (contractor was billed);
 - d. 3/8/10 SEE invoice for service provided 11/28/09 – 12/1/09 (developer and/or builder was billed);
 - e. 6/10/10 SEE invoice for service on 4/1/10 for storm damage (insurance reimbursement). If insurance company was not billed, explain why it was not;
 - f. 9/2/10 SEE invoice for service on 4/29/10 (recovery from Adenus Technologies since the damage was caused by "a wiring error at Adenus Technologies"). If Adenus Technologies was not billed, explain why it was not; and
 - g. 9/10/10 SEE invoice for service provided 6/10/10, 6/14/10, 6/15/10 and 6/16/10 (recovery from Adenus Technologies since the repeated maintenance visits were due to a defective "Red Lion module" produced by Adenus Technologies). If Adenus Technologies was not billed, explain why it was not.
13. Explain why there are two (2) separate travel charges for service provided at two (2) locations on the same street on the same day. [Example: Service on 11/21/10 at 1071 Kacie Dr. and 1063 Kacie Dr.]
14. Provide the service addresses for two MVRs dated 11/8/10 (\$960 and \$710) in Southridge. Explain why there is 3 hours travel time charged on each MVR, when it appears the work was done at the same location or in the same subdivision.
15. The 11/8/10 MVR for Lost Hollow shows prices for "purchased from stock." Why do other MVRs not show the price for these items?
16. Why were MVRs dated 1/2/11, 1/4/11 and 12/15/11(sic) included in the December 2010 escrow charges?
17. When are MVRs completed, at the time of service or a later date? Who is responsible for the information contained on the MVR?
18. When are invoices typically paid from escrow? Why were the 9/23/10 and 9/20/10 MVRs for Southridge not paid from escrow until December 2010?

19. When work orders are prepared for maintenance and/or repairs, who in the Company determines whether the maintenance/repair is routine or non-routine to be paid from escrow funds?
20. Provide copies of all warranties provided for parts TWWS purchases from the Adenus Companies.