

# TENNESSEE REGULATORY AUTHORITY



502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, Tennessee 37243

VIA FAX AND US MAIL  
May 15, 2015

Mr. Henry Walker  
Bradley Arant Voults Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, Tennessee 37203

RE: Docket No. 14-00136 - Petition of Tennessee Wastewater Systems, Inc. for Approval of Capital Improvement Surcharges and Financing Arrangements

Dear Mr. Walker:

In order for the Authority to further evaluate your petition and for this matter to move along as quickly as possible, it is requested that you respond to each of the attached requests in its entirety and/or provide all the necessary information and documents. Please pay particular attention to the directions provided in the first section labeled "Administrative." If you have questions regarding any item number in the attached request, please contact Patsy Fulton at 615-770-6887 for clarification before responding.

Pursuant to TRA Rule 1220-1-1-.03(4), submit either an electronic response along with an original and four (4) written copies or an original written response and thirteen (13) copies. Please note that the requisite number of written copies of all requested information should be provided to the Docket Manager and electronic responses, if filed, must be in .pdf format. Additionally, provide all financial statements and requested schedules in excel format. Should you have questions regarding the attached request, please contact Patsy Fulton at (615) 770-6887.

Please provide all responses no later than June 2, 2015. Thank you for your attention to this matter.

Sincerely,

David Foster  
Chief  
Utilities Division  
Enclosure

C: Jean A. Stone  
Charles Hyatt

## **TRA DATA REQUEST NO. 2**

### **ADMINISTRATIVE**

⇒The Tennessee Regulatory Authority (“TRA”) requires an original and thirteen (13) copies of the filing (an original and four (4) copies of electronic filings).

⇒A CD labeled for Staff use should provide all responses in electronic files in Microsoft Excel (with working formulas) or Microsoft Word readable format.

⇒Please respond fully to each question, even if the data has been partially supplied in prior filings or dockets. Do not simply reference data provided in response to other data requests.

⇒Each copy of the responses should be placed in loose-leaf binders with each item tabbed. Each response should begin by restating the item request. If several sheets are required to answer an item, each sheet should be appropriately labeled and indexed, for example, Item 1(a), Sheet 1 of 4.

⇒For each item responded to, indicate the witness whose testimony would encompass the information requested, where applicable.

## **General:**

1. The amount in the 2014 Annual Report for Contribution in Aid of Construction is \$21,486,250, reduced from \$25,793,837 in 2012. Please provide reconciliation by Amended CCN location name of contributed amounts that total to the \$21,486,250 and \$25,793,837.
2. Provide the documentation of the 2013 retirements from Contributions in Aid of Construction by CCN Docket No. that totals to the amount filed in the Annual Report decreasing the Contribution In Aid of Construction. Documentation includes (but not limited to) documents showing where property was de-valued by Williamson County Government with an explanation as to why. Provide name of Amended CCN system/land and amount each was de-valued.
3. Provide financial statements for Adenus Technologies, LLC for Year-End 12/31/2012, 12/31/2013 and 12/31/2014 inclusive of Balance Sheet, Income Statement and Statement of Cash Flows.
4. Provide financial statements for Adenus Solutions Group, LLC for year-end 12/31/2012, 12/31/2013, and 12/31/2014, inclusive of Balance Sheet, Income Statement and Statement of Cash Flows.
5. Provide financial statements for Adenus Capacity, LLC ("*Adenus Capacity*") for Year-End 12/31/2011, 12/31/2012, 12/31/2013 and 12/31/ 2014, inclusive of Balance Sheet, Income Statement and Statement of Cash Flows.
6. Identify the complete organizational structure of Adenus Capacity.
7. Identify any item or dollar amount (since 1999) that any company or individual (affiliated or non-affiliated) has collected for tap fee credits/capacity to any On-Site/TWSI utility system. (inclusive of lagoon, sand filter treatment systems, any other utility owned system). Please include a spreadsheet in excel format with the following information: Please sort by Amended CCN location name.
  - A. Amended CCN location name/Docket No. of TWSI system
  - B. Name of company/individual that sold the capacity to the On-Site/TWSI system

- C. Date of sale
  - D. Customer/Purchaser Name/Address
  - E. Amount of capacity sold
  - F. Price set for the tap credits
  - G. Amount of sale
  - H. Provide a copy of Associated contract for each sale
  - I. Provide copy of invoice/bill/notice sent to customer for the tap fee credit/capacity
8. How does TWSI measure the capacity that each customer utilizes to insure that there is enough capacity for all customers that have been sold capacity on each system?
  9. Provide a copy of any documents in reference to the loan that has been submitted to the bank except for financial statements and tax returns already submitted in the answer to (2, 7, 8 and 11 of the previous data response). Please submit backup for the collateral just as submitted to bank. Since the application has not been made, prepare one that will be submitted to the bank for the loan applicable in this docket and submit a draft copy.
  10. For what purpose is the 146.3 acres (offered as collateral) of land at Paris Landing, Tennessee being used at the present time?
  11. How many customers does the Paris Landing (CCN approved in Docket No. 03-0544) wastewater system currently service?
  12. Please explain what is meant by “certified operator” in Data Response #10. Please provide a copy of the license that certifies Adenus Operations, LLC as the certified operator. Does Adenus Operations hold any certificates to operate any wastewater systems in Tennessee? If so, provide a copy of the certificate.
  13. Explain in detail the functions that Adenus Operations, LLC perform/provide as the certified operator?
  14. How long (over what period of time) was Adenus Operations, LLC the certified operator for TWSI?
  15. TWSI’s Data Response to #5 in Data Request #1 was: see Attachment 5. Attachment 5 does not answer the question in its entirety. Attachment 5 is a spreadsheet showing \$1950 allocated from Adenus Group with a memo of “Rent”.
    - a) Please respond to the latter part of question #5 requesting that the allocation method used to compute the allocated cost be described in

- detail. Please provide the calculation of how the office space is allocated among all the tenants and what affiliate collects the \$1950.
- b) If the \$1950 is not an allocation by square footage, provide how much square footage TWSI occupies for \$1950 rent.
16. The Data Response to Request #6 provides a spreadsheet for the total amount of labor directly charged by month from AUG, which Mr. Hyatt explained has been changed to Adenus Operations; however, the request also requested description of **the business purpose(s) for each such directly assigned cost. Please describe.**
  17. The response to #6 in the previous data request did not include these direct charges from Adenus Operations, Adenus Technologies, Aviation Parkway Limited Partnership, River Road as recorded on the 2014 General Ledger. Please provide a columnar worksheet in excel format of the details of the invoices summarizing each charge listed by item and by CCN location. Please expand the attached worksheet to include all items included in each charge and the CCN wastewater system location of each individual item. Include any comments that need to be included to fully explain the source of the invoices from Adenus. The attached listing of charges was taken from the 2014 TWSI General Ledger provided in this docket. If the invoice is from a different TWSI affiliate (share similar principal officers or owners to TWSI), provide the original invoice to the affiliate going back to the manufacturer. (Attachment I)
  18. The attached spreadsheet includes amounts for “charges to xfr to group payee.” Please explain these amounts individually.
  19. The data response to Data Request No. 1 question #15 provided an escrow spreadsheet with amounts for labor by individual location/job. Please provide the same detail for those amounts from 2013 and 2014 included in the spreadsheet that state “Materials Used in TWW”. Please provide the supplier of the product’s individual invoice and not that of another TWSI affiliate, i.e. Adenus Operations, Adenus Technologies, etc. Provide what the need/use of the part/material, cost, and the location of where it was used. Staff has attached a listing of these for your convenience. (Attachment II)
  20. Provide a copy of each lease for TWSI’s office space for all locations where TWSI is paying rent. Please list square footage occupied, number of employees located at office space and amount paid monthly at each location.
  21. The purpose of Request #22 in Data Request #1 was meant to be a request for Tennessee Wastewater Systems, Inc. to provide a plan for the steps that would take place by Tennessee Wastewater Systems, Inc. in the event of a flood, sink hole causing flow into a river or stream, fire in a control panel, etc. with one of its sites or all of them. The plan might even include why a disaster would or

would not happen. Please provide a plan that TWSI has in place in case of a disaster. The plan should include the financial, technical and managerial ability of the Utility to recover from the disaster efficiently.

22. What is the amount of the non-utility revenue that has been collected on each of the four utility locations included in this Docket since 1999: Smoky Village, Summitt View, Maple Green and Cedar Hill? Describe the source of all “none—utility” revenue identified in response to this request.
23. Fully define the expenses associated with the non-utility revenue charged to each development and recorded as non-utility expenses and provide copies of invoices. Please use Chardonnay as the development to demonstrate this, providing the non-utility revenue recorded for all phases, a copy of the associated contract and invoices for the associated expenses derived from Chardonnay as non-utility expenses. If the invoices are from a company owned by Tom Pickney, William Pickney, Robert Pickney, Charles Hyatt and/or Charles Pickney Jr., provide back-up and documentation for those invoices, not just a copy of another company owned by these individuals.
24. Provide a copy of the contract between TWSI and/or any affiliate of TWSI with the State of Tennessee to provide utility services to Paris Landing State Park and/or any adjoining areas to expand the system at Paris Landing in order to provide service in the area.
25. Please provide a proposed amortization schedule of the \$750,000 loan schedule using the 6% interest rate and the proposed amount of the surcharge charged to the rate payers over the 10 years.
26. Provide budgeted operating costs specifically for the wetlands system at Cedar Hill and Maple Green for 2015, 2016 and 2017.
27. The Data Response to # 9 of Data Request No. 1 provided a listing of the property Taxes; however, the question actually requested property tax statements from all jurisdictions for 2011, 2012 and 2013. Please provide.
28. Has TWSI ever had to relocate, expand or repair extensively any of its drip fields either partially or in its entirety prior to this date? Extensively is described as any amount over \$20,000 per amended CCN over a 12 month period. If so, please:

- A. List the system(s) by Amended CCN name,
  - B. Indicate in each case if it was an extensive repair, drip field relocated/replaced or expanded,
  - C. Approximate date
  - D. Approximate cost
  - E. Cause for the repair/expansion
  - F. Provide the reason for the action taken.
  - G. Amount of escrow funds used for each project.
29. Provide a listing of expenses for any of the land purchased for the drip fields Smoky Village or Summitt View paid by TWSI. Provide date, amount paid, and name of payee. Also indicate if any land or expenses for land purchased was purchased with escrow funds.
30. Provide the procedures/checklist that TWSI follows during interim inspections and final inspections before acceptance of a wastewater system for operation. Provide signoffs required prior to acceptance.

### **Smokey Village:**

31. Provide a copy of the contract between TWSI and Aenus Operations, LLC naming Aenus Operations, LLC as TWSI's certified operator for Smoky Village and Summitt View.
32. Provide copies of payments made to Jeremy Dison (cancelled checks and invoices) for Facilitator services for Smoky Village.
33. Provide the documents approving the soil and produced as a result of the soil mapping invoice from Kevin Davis (#10028) to Bob Pickney dated May 28, 2013 and paid out of TWSI's escrow account on May 28, 2013 for \$1300.

### **Maple Green:**

34. Provide sewer flow charts for Maple Green for January 2013 thru January 2015 that demonstrates the design capacity needed to support Maple Green.
35. Provide how TWSI measured the capacity utilized by each customer at the Maple Green wastewater system prior to the system collapsing.

36. The response to #52 in Data Request #1 states that the level of the lagoon is provided to the operator on a daily basis and that level alarms are sent to the site operator in the polling interval following when they occur. Please provide the site operator's name at Maple Green and a copy of their operator's certificate, and whether the employee is a full-time employee of TWSI? If not a full time employee, provide a copy of the contract with the site operator as well as the name and copy of operator's certificate.
37. Provide the level of the Maple Green lagoon on June 30, 2012, October 30, 2012, December 31, 2012, March 31, 2013, November 30, 2013, December, 2013 and January 2014 (the month prior to the collapse) and any applicable status reports completed by TWSI.
38. Explain and itemize the amount of \$394,900 included in the Contribution in Aid of Construction for Maple Green in the Annual Reports filed at the TRA, e.g. how much CIAC is for each component of the system. Who contributed the capital to TWSI? Who determined the amount to be contributed?
39. Provide a copy of a contract for the Maple Green system between TWSI and that built/constructed/developed the system stating the specifications that should be met when building the system.
40. MPGLLC's obligations were amended from the original agreement filed in this Docket to include only when "*MPGLLC wishes to participate*". In addition a new Article E was added that it may hold, sell, trade, etc. tap credits it receives for the financing of the treatment system and that On-Site (TWSI) must set the tap credit price. What price was set for tap credits at Maple Green LLC and which entity set the price?
41. How much are the management and facilitation fees referred to in the contract with MPGLLC? The contract provided states that On-Site will not sign a plat if Maple Green has not been paid in full for management and facilitation fees (page 1).
42. How much has On-Site collected for ownership fees since 2002? The MPGLLC contract states that On-Site will receive all monies collected for ownership and operation and maintenance of system.
43. Provide a copy of the negotiated contract between MPGLLC and On-Site Systems, Inc. that states what the total obligation to MPGLLC is for its investment in TWSI's wastewater system and when the amount that is owed to MPGLLC will be paid in full.
44. TWSI's Answer to Emergency Order, dated March 4, 2014 filed in TDEC's Case No. WPC14-0020, states that the amount for the remediation and



modification of the Maple Green Reclamation Facility Maple Green is estimated to be \$160,000; however, the estimated cost submitted with this petition is \$250,000. Please explain /reconcile the \$90,000 difference.

45. Has TWSI experienced any other problems and/or been “Noticed” by TDEC for any issues with any of its wastewater lagoon type system(s) outside of Cedar Hill and Maple Green? Provide the following information:
- A. Please list the system(s) by Amended CCN name
  - B. Provide date of issue(s)
  - C. Provide date issue(s) were resolved
  - D. Expense of resolving issue(s)
  - E. The number of active customers on each system.

### **Cedar Hill:**

46. Provide the contract between the developer/builder of the wastewater system and TWSI for the Cedar Hill wastewater system. Data Request # 1, question #16 requested a contract between TWSI and the builder/developer of the system. The Data Response did not provide a contract for Cedar Hill nor make any mention of why it did not provide one. If there is not a contract, please explain.
47. Provide a copy of the deed to the land at Cedar Hill and any easements that was contributed to TWSI for the wastewater system.
48. Since the third cell is not going to be completed until the system is at 80% of capacity, and given the present volume at Cedar Hill, when does TWSI anticipate the system being at 80% of capacity?
49. How much design flow/capacity is supported by each of the proposed cells in the “wetlands system” at Cedar Hill?
50. Since the cost proposal for Cedar Hill only includes two cells and two cells are all that are needed (based on the answer in response to #68 of the first data request), why was the system designed for three cells? Explain.

51. What was the cost of the system at Cedar Hill when the lagoon and collection system were originally opened for operation? Provide cost documentation such as invoices, labor hours, etc.
52. Explain the statement in the Petition for Cedar Hill requesting approval for a Certificate of Public Convenience and Necessity ("CCN") to the TRA, "the construction of the system will consists of a watertight effluent collection, fixed film treatment and subsurface drip dispersal." Please explain why the statement would be made if the drip dispersal system was not going to be built.
53. The response to #75 in the first data request states that Adenus Capacity, LLC will be the responsible entity for installing any component that wasn't installed at the time Cedar Hill was transferred. Please explain why components such as power and instrumentation (clearly not provided at transfer) are included as \$30,000 and \$10,000 respectively in the cost proposal from TWSI in this docket.
54. Provide a breakdown of the \$650,000 Contribution in Aid of Construction submitted on the 2007 Annual Report into the various system components described in the approved permit submitted to the TRA by TWSI, showing the dollar value of each component.
55. If all components of the system were not completed, please explain why TWSI accepted the system as complete without negotiating an amount that would be available to TWSI to complete the Cedar Hill system in the future.
56. Water usage reports filed in the TDEC Dataviewer from the water department showed less than 20,000 gpd usage for 2010-2011. Why was the design capacity to correct this system submitted as 75,000 gpd?
57. Will any company (affiliated or non-affiliated) other than the Utility itself be selling capacity to the Cedar Hill Wetland System?

58. If so does TWSI have a contract with any company to sell capacity/tap fee credits to the Utility's Cedar Hill wastewater system? If so, provide a copy of the contract.
59. Provide a list of customers that have purchased capacity/tap fee credits for the Cedar Hill wastewater system. Provide customer name, date purchased, amount of capacity and purchase price of capacity.
60. Has TWSI experienced any other problems and/or been "Noticed" by TDEC for any issues with any of its wastewater lagoon type system(s) outside of Cedar Hill and Maple Green? Please list the system(s) by name, provide location of system(s), provide date of issue(s), date issue was resolved(s), expense of resolving issue(s), and number of active customers on each system.

### **Summitt View:**

61. Will Tennessee Wastewater be tariffing/charging a tap-fee for the additional 5 lots outside of the permitted development of 32 lots? If not, how does TWSI propose to recover the costs of these customers to tap on to the system?
62. Have the individual customers at Summitt View been notified of the assessments that are proposed? Provide a copy of the notification to each of the 37 customers and the date on which the customer was notified.
63. Have there been any discussions with other entities for funding the expansion of the system for the additional lots. Identify the entity that requested the 5 lots be added to the wastewater system?
64. Can the present drip field be modified or corrected to accommodate the current flow? Please explain.
65. Has TDEC Ordered TWSI to build a new drip field by June 30, 2015? TWSI states in its Petition that TDEC has ordered TWSI to build a new drip field by June 30, 2015. If so identify the language in TDEC's Order.
66. Explain the need for land to be purchased when there are five (5) available lots within the current Master Deed territory available at Summit View.
67. Provide copies of any invoices from Jeremy Dison to TWSI or any affiliate of TWSI.

68. In several responses concerning Summit View, TWSI refers to conversations and negotiations with the HOA. Provide a copy of any contract(s) or any memorandums of understanding negotiated between the HOA and TWSI or any TWSI affiliate concerning any of the properties at Summitt View.
69. Data Request #1 requested the complete engineering report that arrives at the conclusion that the treatment system needs to be expanded and that an additional drip field needs to be constructed. TWSI responded that the decision was based on the peak flows from the flow readings exceeding the design capacity. TWSI also provided copies of "Sewer Service Agreements" with each property owner in its Data Response #1. In the Petition in this docket, TWSI stated that

*"prior to designing the system, TWSI obtained from each property owner a "sewer service agreement" in which the owner described the cabin or lodge on the property, the number of bedrooms, and the "maximum" number of overnight guests the building could accommodate. Based on that information, TWSI designed a wastewater system to treat up to 8,000 gallons per day."*

Attached is a listing of those contracts with the associated information provided in the contracts that TWSI submitted in its data response showing data that requested peak flow of 43,635 gpd. Please explain why TWSI, having gathered that information, submitted the application to TDEC for 8000 gpd?

70. Explain the rationale that the new system needs to support 18,000 gpd at Summitt View?
71. The Data Response to Request #29 provides the contract for the Smoky Village land; however, the request is for a copy of the contract with Summitt View. Please provide a copy of the contract with Summitt View.

## Attachment I

### TWSI GENERAL LEDGER INVOICES PAID TO ADENUS OPS, ADENUS TECH, AVIATION PARTNERS, RIVER ROAD LTD. PARTNERS

Date		Operations	Technologies	Aviation Ltd.	River Road Ltd. Partners	
1/9/2014	4551	\$61,564.01				
1/20/2014					\$2,866.50	
1/20/2014	4559	\$38,676.78				
1/31/2014	4569	\$32,080.81				
2/11/2014			\$5,827.00			
2/12/2014	4581	\$61,622.30				
2/12/2014	4582		\$5,941.80			
3/14/2014	4611	\$89,359.38				
3/31/2014	4623	\$61,693.24				
4/9/2014	4626	\$46,615.09				
4/16/2014	4632	\$64,064.88				
4/16/2014	4633		\$7,047.13			
4/29/2014	4643	\$40,000.00				
5/12/2001		\$40,000.00				xfr to group payee
5/19/2014	4652	\$65,669.78				
5/27/2014	4656	\$273,750.00				
6/12/2014		\$40,000.00				xfr to group payee
6/17/2014	4670	\$62,046.89				
6/17/2014	4671		\$14,865.52			
7/3/2014	4674	\$291,896.82				
7/3/2014	4675		\$8,873.30			
7/17/2014	4705		\$3,829.12			
7/30/2014	4730	\$38,517.68				
7/30/2014	4731		\$12,414.33			
8/1/2014						
8/1/2014						
8/1/2014						
8/1/2014						
8/1/2014						
8/1/2014						
8/1/2014						
8/1/2014	4770		\$5,337.95			
8/21/2014	4789	\$65,867.88				
8/29/2014	4790		\$15,940.42			
8/29/2014		\$10,000.00				xfr to group payee
8/29/2014				\$2,000.00		
9/8/2004				\$2,000.00		
9/16/2014	4825		\$14,468.25			
9/16/2014	4855			\$2,000.00		
10/7//14	4856					
10/7/2014	4878	\$48,556.90				
10/16/2014	4890	\$237,540.00				
10/24/2014	4891		\$14,005.02			
10/24/2014	4911		\$23,880.76			
11/7/2014	4928	\$56,770.00				
11/14/2014	4929		\$24,172.09			
11/14/2014	4957		\$15,463.09			
12/2/2014	4997	\$94,652.12				
12/22/2014	4999					
12/22/2014	4998		\$22,053.00			
12/22/2014						
Totals		\$1,820,944.56	\$194,118.78	\$4,000.00	\$2,866.50	\$0.00
Total Invoices		\$2,021,929.84				

## Attachment II

### TWSI ESCROW

**2013-2014 DOCUMENTATION NEEDED FOR THESE ESCROW AMOUNTS : INFORMATION TAKEN FROM 2013-2014  
ESCROW FILINGS**

Date	Materials Used in TNWW	Shed Construction	Soil Mapping	Location	Technician	Comments
12/31/2012	\$82,515.53					
1/4/2013		\$7,000.00		Black Bear		
1/31/2013	\$24,340.00					
2/28/2013	\$9,829.47					
3/11/2013		\$7,000.00		Timber Tops		
3/31/2013	\$14,880.70					
4/30/2013	\$46,163.56					
5/22/2013		\$7,000.00		Legacy Mountain		
5/28/2013			\$1,300.00	Smoky Village		
5/31/2013	\$32,885.75					
6/13/2013			\$4,000.00	Robertson Cty		
6/30/2013	\$24,355.31					
7/31/2013	\$67,566.47					
8/31/2013	\$54,431.16					
9/30/2013	\$14,121.36					
10/4/2013			\$2,000.00	Cedar Hill		Soils Grid-Purpos
10/31/2013	\$32,326.78					
12/16/2013	\$12,137.30					
12/31/2013	\$21,460.81					
1/31/2014	\$56,866.84					
2/31/2014	\$13,103.13					
3/31/2014	\$18,955.15					
4/30/2014	\$14,698.04					
5/31/2014	\$18,782.89					
<b>TOTALS</b>	<b>\$559,420.25</b>	<b>\$21,000.00</b>	<b>\$7,300.00</b>			