

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)	
)	
PETITION OF TENNESSEE)	
WASTEWATER SYSTEMS, INC., FOR)	DOCKET NUMBER 16-00139
APPROVAL OF ADJUSTMENT OF ITS)	
RATES AND NEW TARIFF)	

RESPONSE OF CONSUMER PROTECTION AND ADVOCATE DIVISION TO FIRST DATA
REQUEST OF THE TENNESSEE PUBLIC UTILITY COMMISSION.

Comes the Consumer Protection and Advocate Division (Consumer Advocate) and hereby responds to the First Discovery Requests of the Tennessee Public Utility Commission (TPUC) to the Consumer Advocate filed on June 12, 2017. All attachments referenced in the Consumer Advocate's Responses herein are **Confidential** and are filed separately with TPUC.

- 1-1. Provide the exact source (cite) for the number of bills for 2016 used on WP-8.

RESPONSE:

The number of bills used on WP-8 provides the basis of the CPAD's attrition period residential revenue calculation of \$1,197,203.41. See **Attachment 1-1** for the detailed calculations supporting this residential revenue calculation along with cross references to the supporting data.

- 1-2. Provide any growth or inflation factor used on WP-8 and how it was determined.

RESPONSE:

See response to Item 1-1. The growth in residential revenue was based on the increase or decrease in the number of bills from 2015 to 2016.

- 1-3. Provide the exact source (cite) for the number of bills for 2016 used on WP-9.

RESPONSE:

The number of bills used on WP-9 provides the basis of the CPAD's attrition period commercial revenue calculation of \$1,076,425.57. See the following Attachments for the detailed calculations supporting this commercial revenue calculation along with cross references to the supporting data.

Attachment 1-3a Commercial Summary

Attachment 1-3b	Commercial with Food for East Tennessee
Attachment 1-3c	Commercial with Food for Middle Tennessee
Attachment 1-3d	Commercial without Food for East Tennessee
Attachment 1-3e	Commercial without food for Middle Tennessee
Attachment 1-3f	Commercial Cabin Summary

- 1-4. Were the Commercial Revenues of \$1,076,425.57 calculated on WP-9 a historical or grown/inflated amount? If historical for what time period? If grown or inflated, what factor was used and how was it determined?

RESPONSE:

See response to Item 1-3. The attrition period commercial revenues were based on the annualized 2016 customer bill count. There was no adjustment for growth for commercial revenues.

- 1-5. Provide the exact source (if the amount is a combination provide the calculations arrived at the amount on WP-3) for the amounts for 2016 on WP-3, lines 4 and 8.

RESPONSE:

Line 4 on WP-3 is related to Contractual Service Expense and is sourced from CPAD Data Request 2-33.

Line 8 on WP-3 is related to Contractual Service-IT Expenses and is sourced from CPAD Data Request 2-39.

Both CPAD Data Requests 2-33 and 2-39 originate from the Company's multi-year income statement provided in response to CPAD1-1.

Please see **Attachment 1-5** for a copy of CPAD Data Requests 1-1, 2-33 and 2-39.

- 1-6. Was the amount for Contractual Services Expense for the 2016 attrition period on WP-3 grown or adjusted for inflation? If it was not, please explain, and if so what was the factor and how was it determined?

RESPONSE:

In this rate case, TWSI chose not to include the impact of growth or inflation on the Contractual Services Expense shown on WP-3. The Consumer Advocate has determined that TWSI's proposed treatment of growth and inflation on Contractual Services Expense appears reasonable. Therefore, the Consumer Advocate also omitted growth and inflation from its analysis of Contractual Services Expense.

- 1-7. Provide the exact source (if the amount is a combination provide the calculation arriving at the amount on WP-4) for the amounts for 2016 on WP-4, lines 1, 2, 6, 7 and 9.

RESPONSE:

Line 1 on WP-4 is related to Rent Expense and is sourced from CPAD Data Request 2-40 and originates from the Company's multi-year income statement provided in response to CPAD1-1.

Line 2 on WP-4 is related to Registration Renewal Expense and is sourced from CPAD Data Request 2-41 and originates from the Company's multi-year income statement provided in response to CPAD1-1.

Line 6 on WP-4 is related to Regulatory Commission Expense and is sourced from CPAD Data Request 2-45 and 2-46 and originates from the Company's multi-year income statement provided in response to CPAD1-1.

Line 7 on WP-4 is related to Depreciation Expense and is sourced from CPAD Data Request 2-54 and originates from the Company's multi-year income statement provided in response to CPAD1-1.

Line 9 on WP-4 is related to Interest Expense and is sourced from CPAD Data Request 2-94 and originates from the Company's multi-year income statement provided in response to CPAD1-1.

See **Attachment 1-7** for a copy of CPAD Data Requests 1-1, 2-40, 2-41, 2-45, 2-46, 2-54 and 2-94.

- 1-8. Were the amounts on WP-4 for the 2016 attrition year grown or inflated? If they were not please explain, and if so please provide the factor and how it was determined.

RESPONSE:

In this rate case, TWSI chose not to include the impact of growth or inflation on the Administration & General Expenses shown on WP-4. The Consumer Advocate has determined that TWSI's proposed treatment of growth and inflation on Administrative & General Expense appears reasonable. Therefore, the Consumer Advocate also omitted growth and inflation from its analysis of Administrative & General Expense.

- 1-9. Provide the exact source (if the amount is a combination provide the calculations at arriving at the amount on WP-5) for the amounts for 2016 on WP-5, line 6.

RESPONSE:

Line 6 on WP-5 is related to Office Supplies Expense is related to amounts recorded in Account 775.10 from the Company's multi-year income statement provided in response to CPAD1-1. See **Attachment 1-9** for a copy of CPAD Data Request 1-1.

- 1-10. Provide the exact source, cite and/or calculations for the "Attr. Period Adjustments" column on Schedules 3 through 9.

RESPONSE:

The “Attr. Period Adjustments” columns on Schedules 3 through 9 are simply the difference between the test period and attrition period amounts on each of these schedules. The source for the test period and attrition period amounts are linked to the workpapers included with the CPAD’s filing.

- 1-11. On pages 11 and 12 of Mr. Novak’s testimony when discussing the “recasting”, “change in operating structure”; and “going-level of expenses for setting rates” he states “As a result, I do not have the same level of confidence in the methodology used for setting rates in this case as I discuss later in my testimony.” Please provide the reference in his testimony where he discusses these changes in methodology and his level of confidence related to these changes.

RESPONSE:

The specific discussion regarding the level of confidence related to the changes in methodology is contained later on Page 12 of Mr. Novak’s testimony (Q&A 19), at which Mr. Novak states the following:

At this time, I am recommending that the Commission retain the present rates with no adjustment to the TWSI tariff even though my calculations reveal a revenue surplus of approximately \$254,000. As I mentioned earlier, there are several issues with how the TWSI books and records have been maintained. As a result, I do not believe that the current state of the books and records of TWSI lend themselves to be relied upon for setting rates. [Emphasis added.]

While the above is the specific answer to your request, the Consumer Advocate also would respond that a particular challenge presented by the current state of TWSI’s books and records has been, as you noted in your question regarding Mr. Novak’s testimony on page 11, the difficulty in “gaug[ing] the proper going-level of expenses for setting rates” due to limited data available from TWSI. TWSI has provided limited data in this Docket. For example, in CPAD2-15, the Consumer Advocate asked about the lack of expenses for years 2010-2013 and volatility for years 2014-2016. TWSI responded that it did not have “direct employees until July 2014. Up until that time TWSI still relied on affiliated companies to support the utility. The decision was made in 2014 that TWSI could support itself and in July of that year the utility redirected its business to being a self-supporting, standalone company with its own employees and fleet of vehicles. The amount for 2014 represents a half year.” This was the first time that TWSI had mentioned TWSI’s 2014 reorganization in a filing. Before CPAD 2-15, there was virtually no data about this “recasting.” After CPAD 2-15, there was extremely limited data. Because of this extremely limited data (due to the lack of data on the “recasting”), Mr. Novak could not “analyze historical expenses by account for several years to determine consistent going-level amount[s] that can be used for setting rates.”

RESPECTFULLY SUBMITTED,



KAREN H. STACHOWSKI (BPR No. 019607)

Assistant Attorney General

Office of the Tennessee Attorney General

Public Protection Section

Consumer Protection and Advocate Division

P.O. Box 20207

Nashville, Tennessee 37202-0207

Phone: 615) 741-2370

Fax: (615) 532-2910

Email: karen.stachowski@ag.tn.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Jeff Riden, Esq.
General Counsel
Tennessee Wastewater Systems, Inc.
851 Aviation Parkway
Smyrna, TN 37167
615-220-7171
615-346-9516 (fax)
Jeff.Riden@adenus.com

Henry M. Walker, Esq.
Bradley, LLP
1600 Division St., Suite 700
Nashville, TN 37203
615-252-2363
615-252-6363 (fax)
hwalker@bradley.com

This the 20th day of June, 2017.

Karen H Stachowski
KAREN H. STACHOWSKI