

TENNESSEE PUBLIC UTILITY COMMISSION



502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243

April 25, 2017

Jeff Ridsen, Esq.
General Counsel
Tennessee Wastewater Systems, Inc.
851 Aviation Parkway
Smyrna, TN 37167
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VIA E-MAIL and U.S. MAIL

RE: *In re: Petition of Tennessee Wastewater Systems, Inc. ("TWSI") For Approval Of Adjustment Of Its Rates And New Tariff, Docket No. 16-00139*

Dear Mr. Ridsen:

In order to assist the Authority in its investigation of the above-captioned matter, it is requested that responses be provided to the questions contained in the attached data request.

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. Also, please note that the requisite number of written copies of all requested information must be provided to the Docket Manager and electronic responses, if filed, must be in .pdf format. Any excel spreadsheets must be submitted electronically with formulas.

It is requested that all information be provided no later than 2 PM, Tuesday, May 8, 2017, and that Docket No. 16-00139 be referenced on the response. Should you have questions regarding the attached request, please contact Patsy Fulton at (615) 770-6887.

Sincerely,

A handwritten signature in black ink that reads "D. Foster".

David Foster
Chief, Utilities Division

Attachment (1)

GENERAL:

1. Provide a chart of all affiliate companies of TWSI doing any business in the state of Tennessee. Provide a listing of the officers, board members and/or managing members, of each company.
2. Provide a listing of each TWSI affiliate performing any function for TWSI. Include a summary of the functions each affiliate performs for TWSI including the costs incurred by TWSI for each function for the year ending December 31, 2014, December 31, 2015 and December 31, 2016. This summary should identify labor, products the affiliate provides/sells to TWSI, and services the affiliate provides with any associated costs.
3. Please provide a listing of all changes in TWSI's or any of the TWSI affiliates business plans that occurred in the past five (5) years. Include any consolidations, acquisitions and copies of contracts that allowed for these changes. Provide a copy of the business plan that incorporated any listed changes.
4. Please provide a listing of all changes in accounting of financial transactions for and/or between TWSI or any of the affiliates vs how they were accounted for in 2012, 2013, 2014, 2015, and 2016. Provide a list of the organizational changes that were incorporated within these financial reporting changes. Please explain the rationale and any assumptions made when making these changes.
5. Please provide any changes in Williamson County Rules and Regulations or requirements that require TWSI to operate differently in 2017 than TWSI operated in 2012, 2013, 2014, 2015 and 2016.
6. Did any of the changes that TWSI made due to Williamson County Rules and Regulations or requirements result in TWSI incurring additional cost? If so, explain. Provide an itemization of the cost for years ending December 31, 2014, December 31, 2015 and December 31, 2016.
7. Provide a spreadsheet listing the effect that each of the applicable changes discussed in the question above will have on the Company, its Parent or any of its Affiliates method of allocating each change among its regulated, unregulated and jurisdictional operations.
8. Please explain, in detail, whether TWSI considers River Road Limited Partnership an affiliated company.

9. Provide an updated list of TDEC permitted treatment facilities in excel worksheet format from the most recent billing register information. Please provide columns in the worksheet for the following: (1) TDEC SOP #, (2) Name of the Treatment Plant, (3) TRA/PSC Docket No. of the associated CCN, (4) County location of the Treatment Plant, (5) Number of Customers Now Active/Connected to Each Treatment Plant, (6) Number of lots contracted with Developer to Connect to each Treatment Plant (7) Number of lots sold and to be connected in the future currently paying access fees/capacity fees (8) Proposed Number of Customers to Connect to Each Plant by month for the year ending December 31, 2016 (9) Approved rate currently in place for each Treatment Location. (10) Identify each TDEC SOP if location is considered a residential location by noting (R), cabin rental by noting (CB), or strictly commercial (with or without food) by noting (C) next to the TDEC permit number.
10. Provide a list of the pending TDEC applications, date submitted to TDEC, number of lots to be supported by each permit and number of gallons per day of flow to be supported by each pending permit.
11. If the Petition is approved, will TWSI bill at least one customer within each Rate Class in its proposed tariff?
12. Provide the number of customers by CCN/location that were lost as a result of the Sevier County fire in November 2016.
13. Provide a reconciliation of locations and amount between the CIAC as filed in the Annual Reports from 2002 thru 2016 and the Ad Valorem Property Tax Report for Tennessee.
14. Provide an update on the Southridge project in Montgomery County, including whether funds have been secured for the loan to build the system and if construction has commenced.
15. Based on TWSI's response to CAPD Discovery 2-3 pertaining to the volatility of revenues, please explain the volatility in the Commercial Flat Sewer revenues between 2011 and 2014 (decrease in revenues). The response provided explained the increase; however, the decrease between 2010 and 2014 was not explained. Why did revenues go down from \$308,000 to \$267,000 (\$41,000) 13% between 2010 and 2014?
16. TWSI's response to CAPD Discovery 2-13 concerning the Non-Utility Developer Income (421.5) indicates the price-out is on Exhibit 2-1. Please pinpoint where the price-out is for the \$151,030 (2016) income reported for 421.5. The price-out requested should be an itemization of the \$151,300 of

421.5 revenue by location. In addition, please explain why TWSI considers this is a non-utility revenue.

17. TWSI's response to CAPD Discovery 2-12 regarding account number 421.3 (Non Utility Oncome – Utility Fee) states there has been revenue in this account each year and to see attached Exhibit 2-1; however, the revenue on Exhibit 2-1 is 0. Provide the itemization of the 2013 revenue amount. Also, please provide the source and support for this revenue stream as previously requested in CAPD 2-12. If on Exhibit 2-1, please pinpoint where it is and provide the itemization.
18. In TWSI's response to CAPD Discovery 2-14, please explain what farmland this refers to. Is it land that is part of a wastewater system? What location is Danny Holt renting? Please explain and provide a copy of the rental contract between Danny Holt and TWSI or fully explain the relationship between Danny Holt and TWSI and why TWSI is renting Danny Holt property. If there is not a contract, please provide the verbal agreement explaining why the particular amounts that are shown.
19. Please provide dates that Charles Myers and Clint Wayman were employed by TWSI or any of the Adenus Companies. Provide the company each worked for and the dates each were employed by that company.

TARIFF SPECIFIC:

20. Provide Attachment No. 1 (Section 2, Original Page 3) and Attachment No. 2 (Section 2, Original Page 7) as referred to in the proposed tariff.
21. Provide the Docket Number(s) approving any current contracts that TWSI requests customers to sign as Sewer Service Agreements for rates, products and services.
22. Based on previous tariff language and TRA Rules and Regulations 1220-4-13-.02, the wastewater system is comprised of tanks, pipes, pumps and filters. In the proposed tariff, TWSI proposes to change the language of its tariff to include maintaining only the *components* of the tanks, control systems and service lines with the following language added: "*The Customer owns the tank and is responsible for the replacement or change of the tank according to TWSI's specifications.*" In addition the proposed tariff Section 2, Original page 8 adds "and/or tank" to the *Damages* paragraph stating that "the Company will not be responsible for maintaining". The *Damages* paragraph also adds language in the proposed tariff that "*Any damage to the water valve, locks of the water valve, lids, or any other component of the system shall be paid for by the customer.*"

Please explain how the proposed tariff changes will comply with TRA Rule 1220-4-13-.02. and explain why TWSI is proposing this change? Has TWSI or an affiliate of TWSI provided any tanks, control systems/panels and or service lines at any of the wastewater system locations currently serviced by TWSI during 2015, 2016 or to date 2017?

23. Provide an accounting of the cost by year and by location/system since 2009 of all lids, tanks, water valve, locks of water valves that have been replaced? Were these costs paid for with escrow funds? Please separate as normal expenses and amounts paid out of escrow.
24. TWSI proposes a \$120 annual Capacity Reservation Fee for each property owner that is provided a service connection when the sewer system is built. Please define "service connection". Describe any and all equipment and or resources that will be put in place at this time. Has the system been built to service these customers for both treatment and collection at the time the customer receives the first bill for \$120 or is the \$120 merely a reservation for the system that will eventually be built?
25. Provide TWSI's collection process and procedures, inclusive of any notification procedures prior to revoking access to the sewer system?
26. Please describe any differences between the Capacity Reservation Fee and Sewer Access Fee other than the collection terms?
27. Provide an itemized listing of the total amount TWSI spent in 2015 for labor hours across all accounts? This should include TWSI employees, and any other labor hours for companies including, but not limited to Adenus Technologies, Adenus Operations, DRT Services, LLC etc. Please itemize by company paid, employee/contractor/executive, date of service, date of payment, location of service and labor hours.

CABIN REVENUES:

28. TWSI's Overnight Rental Customers complete a Sewer Service Agreement/Cabin Sewer Subscription Contract "up front" as to their specific needs (capacity/flow). If the measurements go outside those specific needs,
 - a) Will each customer be able to monitor its monthly usage?
 - b) Does TWSI have a method to measure capacity/flow for every customer that is charged Overnight Rental Customer rates? Are any of the customers using private wells for water? How would those be measured? If TWSI does not have a method to measure flow for each customer, please explain how rates and charges, based on flows, would be computed for these customers.

- c) The last resort for measurement is stated as potable water meter. Do all customers have potable water meters.
- d) TPUC's Data Request 1, question no. 6 requests a definition for excessive and why the .0358 per square footage will not be sufficient to cover excessive usage. TWSI states that, although the excessive provision has always been in the tariff, it has never had to resort to using this tariff provision (referring to excessive /exceptionally high volumes). In addition TWSI states in the pre-filed testimony filed in this Docket that square footage is more indicative of the wastewater system's capacity than number of bedrooms. However, TWSI's tariff does not call for rates by number of bedrooms. TWSI's overnight rental tariff is set by the gallons per day of flow with rates graduated up in tier levels, based on the number of gallons of daily flow.

TWSI's Overnight Rental Units tariff states that the "monthly sewer charge is based on the monthly average daily flow monitored from the unit being served. A minimum of \$69.15 per month will be charged for up to the first 300 gallons per day of average flow. For each additional 100 gallons per day of average daily flow, up to a total of 1,000 gallons per day, an additional charge of \$15 per month per 100 gallons will be levied. For avg daily flows over 1,000 gallons per day, an additional charge monthly charge of \$157.95 per 1,000 gallons of avg. daily flow will apply".

The tariff goes on to explain how TWSI will measure to determine how much will be billed on a monthly basis by each customer and the three forms of measurement which are the same three forms of measurement to determine excessive in the proposed tariff. The tariff also states if excessive usage is determined that the customer will be measured every ninety days, listing the form of measurement used on the customer's bill; however, if TWSI does not measure the customer's usage the customer will receive an estimated bill that will be trued up when TWSI does measure it.

Has TWSI never billed according to these tariff provisions. Please explain.

- e) If these customers are billed by the correct tiers according to their usage and the current tariff, will their expenses be recovered?
- f) If all of the above is not completed and measured as stated, why is it in the current tariff and proposed tariff?

29. In the response to question #7 of the TPUC's First Data Request, TWSI gave some examples of customers being billed by square feet. Please provide a customer listing of Summit View customers, square feet per customer and the rate each would be charged under the proposed tariff.
30. Have Summit View customers ever been billed based on the monthly average gallons of flow per customer?
31. Was there a way to measure average monthly gallons per day for each Summit View customer in 2015 by one of these methods? a) Effluent Flow Meter, b) Step Pump, c) potable water meter?
32. Does TWSI have a way to measure average monthly gallons of flow by each customer at Summit View?
33. Once TWSI has determined a customer has excessive usage, how soon will TWSI notify the specific customer, the POA and the management company that they are in violation of the contract, and may be required to pay any capital costs associated with increasing the capacity of the system? Will the consumers be notified in writing? If not, why?
34. Pursuant to the proposed tariff how many written notices will be given to a customer to rectify an issue before new construction begins to expand the system to accommodate the specific needs?

EXPENSES:

35. Swan Harbor was identified as the "Class" accounted for in the Transactions By Account for over \$90,000 of the \$250,188.57 Materials and Suppliers charges filed in response to the Consumer Advocates Data Question #25. Provide a detailed listing of each function with associated cost performed at Swan Harbor during 2015 to total the \$90,000 plus.
36. Please explain why \$90,000 plus was spent to rehab Swan Harbor when it appears that TDEC's issue was resolved in November and confirmed resolved in the November inspection report. Why was this considered an emergency?
37. Please itemize and identify how each invoice contributed to the "Rehab" of Swan Harbor as referred to in the 2015 Escrow filing.
38. If Swan Harbor needed a complete rehab, please explain why costs incurred were not capitalized rather than expensed?
39. Please explain why TWSI spent \$90,000 plus to rehab the system at Swan harbor when a letter from Jeff Risdien to TDEC dated October 15, 2015, stated the Swan Harbor system is not in need of rehab.

40. Provide a copy of the bond expensed in 2014 and removed from expenses in 2015 for the construction of Paris Landing State Park.
41. Provide a copy of the invoice from the insurance company for the bond expensed and removed for Paris Landing State Park.
42. Provide the regulated and non-regulated construction revenues and expenses for Paris Landing State Park. This should list all expenses paid out and total revenue collected as well as net income to TWSI to complete the construction contract.
43. Please provide documentation showing entitlement in the Utility's name for the Paris Landing wastewater treatment system and wastewater collection system as well as deeds and maps to the land where the treatment and collection system are located.
44. Please describe DRT Services LLC and explain in detail the services that were performed, including the equipment and labor hours (inclusive of a per diem expense) to rehab the Swan Harbor system. Please provide an explanation of why TWSI used DRT Services instead of its own employees, including any cost-benefit analysis.
45. Provide a billing register by month for the customers at Swan Harbor for 2015, 2016 and January and February 2017.
46. Provide a listing of the customers at Swan Harbor that were billed the annual Sewer Access Fee for 2015 and 2016.
47. The general ledger expenses for the "rehab" of Swan Harbor total over \$100,000 from late 2015 to early 2016. Please explain why the rehab of Swan Harbor received preference over the rehab of any of the four locations in Docket 14-00136?
48. Provide a copy of the Adenus Technologies, LLC "Sales by Customer Detail" report for January 2015 through December 2016 .
49. Explain in detail the large increase in the AUG-MGMT Expenses of \$81,213.04 in 2014 to \$148,788.04 in 2015 and to \$223,460.11 in 2016.
50. According to the General Ledger a new Contractual Expense ("IT Expenses") from February 2016 to September 2016 was paid to Adenus Group. Please explain the services that were performed resulting in this expense, why it first occurred in February 2016 and why it stopped in September 2016.

51. Provide TWSI's written policy for capitalization. If a written policy is not in place, please explain the rationale for determining whether an item will be capitalized or expensed?
52. New control panels were installed in nine (9) locations between January 2016 and July 2016: Trillium Cove, Turners Landing, Smokey Cove, Windsor Pointe, Black Bear, Elk Springs, German Creek, Legacy Preserve, Settlers Ridge, with Swan Harbor starting in 2015 and being completed in 2016.
- a) Were there any additional control panels or rehab's of the TWSI systems during 2015 and 2016? If so, please identify the locations.
 - b) Provide an accounting by location of amounts that were spent, itemizing by part, amounts expensed or outsourced for any installations and total labor hours for each location. Identify any equipment rental or expenses incurred during installation, including labor hours associated with the labor hours in salaries and wages or the AUG Management fees included in TWSI's Income Statement.
 - c) Were any of these locations expanded beyond the original TDEC permit for gallons per day flow (gpd)?
 - d) Were any of these locations expanded to cover additional lots?
 - e) According to the detailed information included with TWSI Escrow filings, the amounts charged to escrow specifically for these locations totaled in excess of \$500,000. Please explain if any of these costs will be capitalized or will it remain expensed?
 - f) Were these control panels installed as "first time control panels" or as updated control panels to provide new technology. Please explain by location.
53. In addition to control panels, "sheds/buildings" to house the wastewater treatment equipment/control panels were built at many of these locations as well as other locations.
- a) Identify all the locations where sheds have been built.
 - b) Provide an itemization of the amounts spent by year and by location where sheds were built in 2015 and 2016. Please itemize by part/materials used; work outsourced to build the shed, such as but not limited to DRT Services and Shelly May; labor hours included in building the shed; and total cost of each shed. Indicate if these funds came out of escrow and whether the amounts were expensed or capitalized.

54. Provide the cost to TWSI for telemetry packages from Adenus Technology. Provide a listing of all options that are available for the telemetry packages at each location and the options which TWSI has subscribed to. Provide an explanation of why telemetry for each location is important/necessary to TWSI.
55. Explain why TWSI purchases telemetry packages from Adenus Technology instead of directly from the vendor. Identify any cost savings TWSI has realized by purchasing the packages from Adenus Technology.
56. Does Adenus Technologies furnish telemetry packages to other customers? If so, provide documentation detailing the charges assessed to other customers for such packages.

REVENUE:

57. Please explain why the Sewer Subscription Contract is not an attachment to TWSI's proposed tariff.
58. Please explain why TWSI considers Sewer Access Fees as non-utility revenue?

CAPACITY FEE:

59. Once capacity has been secured with the \$6,000 Capacity Fee for an established system, is that customer established with a billing record in the TWSI billing system and does this start the billing of the annual Capacity Reservation Fee (previously termed "Sewer Access Fee") until connected to the wastewater system? Please explain.
60. Where certain components (drip fields, fencing, etc.) are not initially completed according to the engineering and design plans which support the TDEC approved permit before being placed into service by the Utility, or systems that are not constructed large enough to meet the gpd capacity according to the design plan and TDEC's issued permit, please answer the following:
 - a) Does the Developer pay the Utility the difference to complete the system at a later date? If not, please explain why the Developer would not pay and why TWSI would accept a system not fully built in accordance with the approved design plans.
 - b) If the system is not complete and funds have not been received when the Utility accepts the system, has the Utility received contracts signed by all three parties (Utility, Builder, Developer) that the system is to be

completed at a later date and who will be providing funds for completion.
Provide copies of all such contracts for 2011 through 2016.

61. Section 4 of the proposed tariff states that the Capital Capacity Fee is for Williamson County - \$6,000 per equivalent residential unit "*as required by Williamson County Regulation*".

- a) Please provide a copy of the Williamson County Regulation referred to in the proposed tariff
- b) Define equivalent residential unit.

62. If a control panel is replaced by Adenus Technologies, is there any due diligence completed to insure Adenus Technologies offers the "best price"? Please explain.