

**IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF TENNESSEE)	
WASTEWATER SYSTEMS, INC.,)	DOCKET NO. 16-00139
FOR APPROVAL OF ADJUSTMENT)	
OF ITS RATES AND NEW TARIFF)	

**TWSI'S RESPONSE TO FIRST DISCOVERY REQUESTS OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION**

Tennessee Wastewater Systems, Inc. ("TWSI") files this response to the Consumer Protection and Advocate Division's ("CAD") *First Discovery Requests of the Consumer Protection and Advocate Division to Tennessee Wastewater Systems, Inc.* ("Discovery Requests").

GENERAL OBJECTIONS

1. TWSI's responses and objections to the Discovery Requests are made solely for the purposes of this action. Each response is subject to all objections as to competence, relevance, materiality, propriety, and admissibility, and any and all other objections and grounds that would require the exclusion of any statement contained herein if made by any witness present and testifying in court. All such objections and grounds are reserved and may be interposed at the time of trial.

2. TWSI objects generally to the extent the Discovery Requests seek information which is protected by the attorney-client privilege and/or the work-product doctrine.

3. TWSI objects to the extent that the Discovery Requests seek to impose duties or requirements in addition to any requirements imposed by the Uniform Administrative Procedures Act, found at Tenn.Code Ann. § 4-5-101 et seq., the Uniform Rules of Procedure for Hearing Contested Cases before State Administrative Agencies, found at Tenn. Comp. R. & Regs. ch.

1360-04-01-.01 et seq., and the Tennessee Rules of Civil Procedure. By answering the Discovery Requests, Plaintiff does not agree to abide by any such instructions, agree to the definitions or requirements created in any defined terms, or any other requirements dictated in the Discovery Requests.

4. TWSI objects to these interrogatories and requests in their entirety to the extent that they seek information and/or documents not in his possession, custody, or control on the grounds that such requests are overbroad and unduly burdensome, and constitute annoyance, harassment, and oppression.

5. TWSI objects to the Discovery Requests in their entirety to the extent that they seek confidential, financial, competitive, or proprietary documents or information. Even if any such information was relevant to this case, TWSI objects to producing any such documents absent a protective order containing an “Attorneys Eyes Only” designation.

6. The following responses are based on the information currently available to TWSI based upon reasonably diligent investigation. Except for the explicit facts admitted herein, no incidental or implied admissions are intended. The fact that TWSI answered all or any part of a question shall not be construed as a waiver of any objection to any request. TWSI reserves the right to supplement and/or modify his responses based upon the discovery of different or additional information.

Subject to and without waiving his general objections and any specific objections asserted to particular questions, TWSI provides the following responses:

FIRST DISCOVERY REQUESTS

1. Please provide a complete copy of the Company’s Income Statement for the 12 months ended December 31, 2008, 2009, 2010, 2011, 2012, 2013, 2014, and 2015.

RESPONSE:

See attached Exhibit 1. Responses for years prior to 2010 are available in Docket 15-00025.

2. Please provide a complete copy of the Company's Balance Sheet at December 31, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015.

RESPONSE:

See attached Exhibit 2. Responses for years prior to 2010 are available in Docket 15-00025.

3. Please provide a complete copy of the Company's General Ledger (in electronic format) from December 31, 2007 to December 31, 2015 for Tennessee Only operations.

RESPONSE:

See attached Exhibit 3. Responses for years prior to 2010 are available in Docket 15-00025.

4. Please provide a complete copy of the Company's General Ledger (in electronic format) from December 31, 2007 to December 31, 2015 for each of the Company's affiliate operations.

RESPONSE:

See attached Exhibit 4a-i. Responses for years prior to 2010 are available in Docket 15-00025.

5. Please provide a complete copy of the Company's current chart of accounts.

RESPONSE:

See attached Exhibit 5.

6. Please provide a complete copy all contracts between the Company and its affiliates.

RESPONSE:

See attached Exhibit 6.

7. If any contracts are unwritten between the Company and its affiliates, please provide a description of the terms and names of the parties.

RESPONSE:

There are no unwritten contracts between the Company and its affiliates.

8. Please provide a complete copy of all contracts between the Company and any non-affiliates that charge costs to Tennessee customers.

RESPONSE:

See attached Exhibit 8.

9. If any contracts are unwritten between the Company and any non-affiliates, please provide a description of the terms and names of the parties.

RESPONSE:

There are no unwritten contracts between the Company and any non-affiliates.

10. Please provide the monthly number of customers in each rate regulated state that the Company operates in (eg. Alabama, Georgia, Virginia, Tennessee) from January 2008 through December 2015.

RESPONSE:

TWSI objects to this request in that it is overbroad, cumulative, and unduly burdensome. TWSI does not keep customer numbers by month for past years. Objection notwithstanding, see Exhibit 10 for customer numbers by month for 2015.

11. Please provide the number of Tennessee residential customers by service area by month from January 2008 through December 2015.

RESPONSE:

TWSI objects to this request in that it is overbroad, cumulative, and unduly burdensome. TWSI does not keep customer numbers by month for past years. Objection notwithstanding, see Exhibit 11a-c for customer numbers by month for 2015.

12. Please provide the number of Tennessee commercial customers by service area by month from January 2008 through December 2015.

RESPONSE:

TWSI objects to this request in that it is overbroad, cumulative, and unduly burdensome. TWSI does not keep customer numbers by month for past years. Objection notwithstanding, see Exhibit 12 for customer numbers by month for 2015.

13. Please provide the number of Tennessee residential cabin customers by service area by month from January 2008 through December 2015.

RESPONSE:

TWSI objects to this request in that it is overbroad, cumulative, and unduly burdensome. TWSI does not keep customer numbers by month for per service area. Objection notwithstanding, residential cabin customers are included in the responses to question 11.

14. Please provide the number of Tennessee commercial cabin customers by service area by month from January 2008 through December 2015.

RESPONSE:

TWSI objects to this request in that it is overbroad, cumulative, and unduly burdensome. TWSI does not keep customer numbers by month for past years. Objection notwithstanding, see Exhibit 14 for customer numbers by month for 2015.

15. Please provide the number of Tennessee customers by rate classification and by service area that the Company expects to add by month from January 2016 through December 2017.

RESPONSE:

TWSI objects to this request as it seeks information that is purely speculative in nature and seeks information the company does not produce in the normal course of business as TWSI does not forecast customer numbers in its normal course of business. Objections notwithstanding, the company has prepared a forecast for purposes of providing an answer based on its 2015 increase in customer base. See Exhibit 15.

16. Please provide copies of the following tax returns for 2013, 2014 and 2015 for both TWSI and its parent company:

- a. Tennessee Gross Receipts Tax Returns;
- b. Tennessee Franchise & Excise Tax Returns;
- c. County Property Tax Returns; and
- d. Employer's Quarterly Federal Tax Returns (Form 941).

RESPONSE:

See attached Exhibit 16a-d.

17. Please provide a redline copy of the Company's proposed tariff showing the additions, deletions and changes from the current tariff.

RESPONSE:

The Company's proposed tariff was created from scratch to correct formatting issues with the previous tariff. Unchanged information was copied and pasted between the documents while new information was created and added where necessary. As a result, no redline copy of the proposed tariff is available.

18. Refer to Exhibit 1 included with the Company's testimony. The caption on this Exhibit is titled "Profit & Loss January through December 2007" and the first column is titled "Test Period (2015)". Please confirm whether this Exhibit 1 represents the Company's profit and loss for the twelve months ended December 2007 or the twelve months ended December 2015.

RESPONSE:

Exhibit 1 represents the Company's profit and loss from the twelve months ended December 2015.

19. Refer to Exhibit 1 included with the Company's testimony. Please provide the source and support for the \$-81,825.00 hard number adjustment included for account 731 – Contractual Svc - Professional.

RESPONSE:

See attached Exhibit 26.

20. Refer to Exhibit 1 included with the Company's testimony. Please provide the source and support for the \$44,958.00 hard number adjustment included for account 426 – Miscellaneous Income.

RESPONSE:

Recovery of construction bond repayment for Paris Landing Construction Project.

21. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$206,431.18 hard number adjustment included for account 521.1 – Residential Flat Sewer.

RESPONSE:

See attached Exhibit 21. Item 4.

22. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$53,042.24 hard number adjustment included for account 521.2 – Commercial Sewer.

RESPONSE:

See attached Exhibit 22. Item 3.

23. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$148,243.75 hard number adjustment included for Cabin Sewer.

RESPONSE:

See attached Exhibit 23. Item 3.

24. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$33,240.00 hard number adjustment included for account 775.3 – Licenses & Permits.

RESPONSE:

See attached Exhibit 24.

25. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$250,188.57 hard number adjustment included for account 720 – Materials & Supplies.

RESPONSE:

See attached Exhibit 25.

26. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$-116,163.00 hard number adjustment included for account 731 – Contractual Svc Professional.

RESPONSE:

See attached Exhibit 26.

27. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the \$-31,030.00 hard number adjustment included for account 770 – Bad Debt.

RESPONSE:

Financial Statement – $\$38,787.80/5 \text{ years} = \7757.56 ; $\$38,787.80 - \$7757.56 = \$31,030.00$

28. Refer to Exhibit 2 included with the Company's testimony. Please provide the source and support for the 1,988,595-square footage amount and the 0.43 rate included for Cabin Sewer.

RESPONSE:

See attached Exhibit 28.

29. Refer to Exhibit 3 included with the Company's testimony. Please provide the source and support for the "2016 Base Wages" and "Base Adjustments" included on this schedule.

RESPONSE:

See attached Exhibit 29.

30. Refer to Exhibit 3 included with the Company's testimony. Please provide the source and support for the "IRA Percent" included on this schedule.

RESPONSE:

The company matches 100% of employee contributions to a Simple IRA up to 3% of an employee's earnings.

31. Refer to Exhibit 3 included with the Company's testimony. Please provide the source and support for the "Workers Comp Rate" included on this schedule.

RESPONSE:

See attached Exhibit 31. Bridgefield Insurance.

32. Refer to Exhibit 4 included with the Company's testimony. Please provide the source and support for the \$1,000,000 increase in the base amount for the franchise fee calculation that is included on this schedule.

RESPONSE:

Clovercroft Farms - \$546,510
Clovercroft Preserve - \$589,564.72

33. Refer to Exhibit 5 included with the Company's testimony. Please provide the source and support for the "Monthly Interest" amounts included on this schedule.

RESPONSE:

See attached Exhibit 33. Financial Statements.

34. Refer to Exhibit 6 included with the Company's testimony. Please provide the source and support for the "Maintenance", "B&C", "Sewer", "Escrow", and "Square Footages" hard number amounts included on this schedule.

RESPONSE:

See attached Exhibits 34 and 28.

35. Refer to "Escrow Rider" sheet included with the Company's testimony. Please provide the source and support for the "9/30/2016 Balance" and the "8/30/2016 Customers" included on this schedule.

RESPONSE:

See attached Exhibit 35. Balance sheet, 265.2 Account, Monthly TRA Report.

36. Provide the salaries, wages, and compensation for the year ended December 31, 2016 by employee and/or board member for TWSI. In your response, indicate the account number(s) charged by employee compensation and by amount.

RESPONSE:

See attached Exhibit 36.

37. Refer to attached Exhibit A-1, which is a screen shot of the Water Resources Permits Dataviewer of the Tennessee Department of Environment and Conservation ("TDEC Dataviewer") for permit number TN0074764 for TWSI's River Road Utility District Service Territory (CCN 97-01394). The status of the permit is shown as incomplete, and the permit's expiration date was September 30, 2015. The TDEC Dataviewer also shows a Notice of Violation

(“NOV”) with a document date of September 20, 2016, and a copy of the NOV is attached as Exhibit A-2. According to the NOV, the system is “not complete or fully operational, and is not constructed according to the engineering plans approved by the Division. The lagoon is providing biological treatment, but the system is not capable of disinfection, flow measurement or discharge.” In a letter dated October 19, 2016 (copy found in November 2016 Report Overview in TRA Docket #15-0025), TWSI states “The flows into the treatment facility are not substantial enough to warrant the full and complete build out of the system as designed. The system more than adequately addresses the treatment needs and the requirements of the flow currently entering the treatment facility. Please answer the following and provide documentation to support your answers:

- a. Admit or deny that the system currently is not “complete and fully operational” per the TDEC approved engineering plans for this permit.
- b. What was the value of the system when it was transferred from the developer to TWSI?
 - i. How was such value determined?
 - ii. How was the value reflected in TWSI’s general ledger (e.g. contribution in aid of construction, etc.)?
 - iii. If the system was not “complete and fully operational” per the approved plans at the time of transfer, what would have been the value of the system if it had been completed and fully operational per the approved plans by TDEC?
 - iv. If the system was not “complete and fully operational” per the approved plans at the time of transfer, how much additional costs and expense will it require to complete the system per the TDEC approved engineering plans for this permit?
- c. If the system was not “complete and fully operational” per the approved plans at the time of transfer, did TWSI require funding from the developer to cover the costs and expense for completing the system per the TDEC approved engineering plans for this permit?
- d. If the system was not “complete and fully operational” per the approved plans, how does TWSI expect to cover the cost and expense of completing the system per the TDEC approved engineering plans for this permit (e.g. tap fees, etc.)?

- e. If the system was not “complete and fully operational” per the approved plans, does TWSI have a timeframe of when the system will be complete per the TDEC approved engineering plans for this permit? What is that timeframe?
- f. If the system was not “complete and fully operational” per the approved plans, what is the capacity of the system such as flow or customers?
- g. Is there excess capacity generated by the current system? If so, how much?
- h. If the system is completed and fully operational per the TDEC approved engineering plans, will TWSI expect excess capacity to be generated?
- i. Describe and provide reference to any revenue being generated by the current system.
- j. In the corrective actions taken by TWSI in response to the NOV from TDEC dated September 21, 2016, please set out in detail the following:
 - i. Each of the actions taken,
 - ii. The costs and expenses associated with each action,
 - iii. What account(s), if any, used to cover such costs/expenses, and
 - iv. Identify the journal entries, if any, in the general ledger.

RESPONSE:

TWSI objects to the inclusion of this question in the data requests from CAD as the question and subparts are marginally relevant to the rate case and involve matters currently subject to a Notice of Violation from TDEC. As such, the questions appear to be designed more towards information gathering in that matter than seeking information of any help or relevance in evaluating the Company’s petition for a rate increase. Objections notwithstanding, the Company answers as follows:

a. Deny. The system is fully constructed and operational. There are four (4) residences tied to the system producing around 1200 gallons per day of effluent. The lagoon is permitted for 75,000 gallons per day. The chlorine contact chamber to treat the effluent before it is discharged into the Cumberland River is the only missing component to the system. Since there is no discharge from the system to the Cumberland River, the chamber is not necessary. The cost to add the chlorine chamber is approximately \$60,000, however it would imprudent for TWSI to spend this money on equipment that is unnecessary given the current needs of the system. If the chamber were to be required, components will begin to deteriorate after 5 years from non-use and need to be replaced at significant cost to the rate payer.

b. \$200,000 (\$15,000 for gravity collection, \$185,000 for the lagoon)

- i. Fair market value.**
- ii. Contribution in Aid of Construction.**

- iii. n/a
- iv. n/a
- c. n/a
- d. n/a
- e. The system is complete and fully operational.
- f. There is no monitoring of the system for effluent flow given so few connections to the system. Design flow per TDEC guidelines is 300 gallons per day per residence, so based on design flow, there is around 1200 gallons per day of effluent running through the system.
- g. There is excess design capacity of roughly 73,800 gallons per day.
- h. There is excess capacity available. See above.
- i. Revenue is received from the four customers currently connected to the system as they pay their monthly sewer bill.
- j.
 - i. See NOV response letter Exhibit 37 as previously filed in Docket 15-00025.
 - ii. A total of \$1378.09 was spent on the corrective actions.
 - iii. Escrow account.
 - iv. There are no journal entries in the general ledger.

****NOTE: Questions 38-74 have been withdrawn by agreement between the Parties.**

75. Please identify each person who you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;

- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, work papers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

TWSI has not yet identified any person to testify as an expert witness in this matter. The requested information will be provided at such time an expert has been identified and provided testimony.

76. Please identify all persons having knowledge of discoverable matters in this case.

RESPONSE:

**Charles Hyatt, President TWSI
Suzanne Christman, Accountant, TWSI
Other employees of TWSI
Hal Novak
Employees of the Tennessee Regulatory Authority
Employees of the Tennessee Department of Environment and Conservation
Employees of the Office of the Attorney General and Reporter, Consumer Protection and Advocate Division**

77. Please produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

Apart from the documents provided by the CAD and referenced to throughout these data requests (the Exhibits), the remaining documents referred to or relied upon in responding to these discovery requests are attached as corresponding exhibits to each question.

78. Please produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

RESPONSE:

TWSI has not identified any documents as responsive to this request at this time. Responsive documents will be produced as directed in the pre-hearing order.

79. Please produce copies of all documents -- including, without limitation, work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

Other than the documents already produced in response to these data requests, TWSI has not identified any other documents as responsive to this request at this time. Any additional responsive documents will be produced as directed in the pre-hearing order.

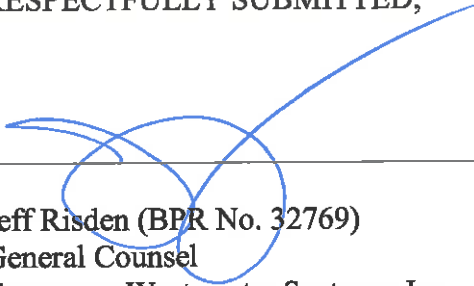
80. Identify all information, documents and things filed in the present docket record, including all responses to discovery of the parties and data request from the TRA Staff, which TWSI produced in this docket and does not agree to stipulate to the authenticity of such information, documents and things in this proceeding. For each separate piece of information, documents and

things which TWSI produced in this docket and TWSI contends is not admissible as evidence describe in specific detail any objection(s) TWSI claims as to admissibility into the evidentiary record in this docket.

RESPONSE:

TWSI will stipulate to all filings in the docket at the time these responses are filed.

RESPECTFULLY SUBMITTED,



Jeff Riden (BPR No. 32769)
General Counsel
Tennessee Wastewater Systems, Inc.
851 Aviation Parkway
Smyrna, TN 37167
(615) 220-7171
jeff.riden@adenus.com

Henry Walker (BPR No. 000272)
Bradley
Roundabout Plaza
1600 Division St., Suite 700
Nashville, TN 37203
(615) 252-2363
hwalker@bradley.com

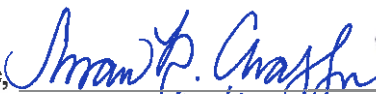

VERIFICATION

STATE OF TENNESSEE)
COUNTY OF RUTHERFORD)

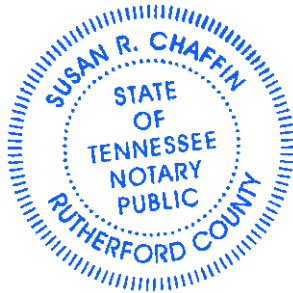
Charles Hyatt, first being duly sworn, says that I am authorized to verify the foregoing filing and that the responses are true to the best of my information and belief, based on a review of relevant, available, accessible information as well as upon my personal knowledge.



Affiant(s)

Personally, appeared before me, , a Notary Public for the County and State aforesaid, , with whom I am personally acquainted and who, upon oath, acknowledged that he executed the foregoing *Verification* for the purposes therein contained.

Sworn to and subscribed before me this 3 day of February 2017.





Notary Public

My Commission Expires: 02/20/18

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:

Karen H. Stachowski
Vance Broemel
Office of the Tennessee Attorney General
Consumer Protection and Advocate Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
Karen.Stachowski@ag.tn.gov
Vance.Broemel@ag.tn.gov

This the 3^d day of February, 2017.

Jeff Riden