

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF INTEGRA WATER)	
TENNESSEE, LLC FOR A CCN AND)	DOCKET NO. 17-00014
AUTHORITY TO CHARGE RATES)	
IN CASEY COVE SUBDIVIONS)	
LOCATED IN DEKALB COUNTY,)	
TENNESSEE)	

**SECOND DISCOVERY REQUEST
OF THE CONSUMER PROTECTION AND ADVOCATE DIVISION
TO INTEGRA WATER TENNESSEE, LLC**

To: Benjamin A. Gastel, Esq.
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This Second Discovery Request is hereby served upon Integra Water Tennessee, LLC. (Company), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Protection and Advocate Division of the Attorney General's Office (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Protection and Advocate Division, UBS Tower, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 4:00 p.m. (CDT) October 20, 2017, or at such other time as may be

ordered by the Hearing Officer in the adoption or approval of a procedural schedule in this TPUC Docket No. 17-00014 (this Docket).

PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate the same Preliminary Matters and Definitions as set forth in the *First Discovery Request of the Consumer Protection and Advocate Division to Integra Water Tennessee, LLC* sent to Integra on May 9, 2017, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

SECOND DISCOVERY REQUESTS

2-1. Given the Company's forecasted operation results produce negative margins for the first several years of its operation, what analytical basis should be used going forward to measure the reasonableness of the Company's rates (i.e. what analytical measure should be used in evaluating any future ratemaking proposal from the Company)?

RESPONSE:

2-2. Referring to the Company's Response to TPUC DR #1-5, the Company does not identify Envirolink as an affiliate entity. However in its Response to TPUC DR #1-8, the Company provides a copy of an unexecuted contract between the Company and Envirolink. On page 7 of this contract, Michael Myers is listed as President of Envirolink. In the Company's Response to TPUC DR #1-5, Michael Myers is listed as a Member of both Integra Water LLC and Integra Water – Tennessee LLC.

- a. Does Integra Tennessee LLC acknowledge that Envirolink is an affiliate pursuant to the definition of an affiliate contained in TPUC's Pre-filed Proposed Final Rules 1220-4-13.16, as well as the common definition of the term "affiliate" as is used in utility regulation? A copy of the TPUC's Pre-filed Proposed Final Rules can be found at <http://share.tn.gov/tra/orders/2016/1600112h.pdf>.
- b. If not, provide a comprehensive explanation supporting the conclusion that Envirolink is not an affiliate of Integra Water-Tennessee LLC
- c. If yes,
 - i. Explain in detail all steps taken by the Company to review the proposed contract in light of the affiliate arrangement. Include in your response other entities considered and the terms of those offers.
 - ii. Did Michael Myers participate in any vote, meeting or discussion regarding the approval of the contract? If yes, provide details of each vote, meeting and discussion.
 - iii. Identify the Company's contact regarding the handling of this proposed contract.

RESPONSE:

2-3. If Integra Tennessee LLC acknowledges that Envirolink is an affiliate of Integra Tennessee, provide the following:

- a. Identify all members of Envirolink.
- b. Identify all officers of Envirolink.

- c. An updated organizational chart, provided in Response to TPUC DR #1-5, showing the relationship between the Company and Envirolink.

RESPONSE:

- 2-4. If Integra Tennessee LLC acknowledges that Envirolink is an affiliate company:
 - a. Does it agree that services provided by Envirolink should be recorded at the lower of the affiliates fully allocated costs or market rate pursuant to TPUC Pre-Filed Proposed Final Rules 1220-4-13.16 (4)(c)? A copy of the TPUC's Pre-filed Proposed Final Rules can be found at <http://share.tn.gov/tra/orders/2016/1600112h.pdf>.
 - b. If Integra Tennessee LLC does not agree that this pricing provision is neither required, nor appropriate, explain how the reasonableness of these transactions should be evaluated for purposes of setting rates.

RESPONSE:

- 2-5. Does Integra Tennessee LLC agree to provide access to the Consumer Advocate to the books and records of Envirolink, including review of the support for individual transactions, to ensure the reasonableness of transactions between Integra Tennessee LLC and Envirolink in subsequent Integra Tennessee dockets pertaining to changes in customer rates pursuant to Tenn. Code Ann. §65-5-101 or § 65-5-103?

RESPONSE:

- 2-6. Admit or deny that Integra Tennessee LLC has the burden of proof to establish the reasonableness of transactions between Integra Tennessee LLC and the following entities:

- a. Old North State Water Company (ONSWC);
- b. Integra Water Baldwin, LLC;
- c. Integra Water Creola, LLC;
- d. Integra Water Madison County, LLC;
- e. South Carolina Water Company, LLC; and
- f. Envirolink.

If you deny any of the above, explain fully and with specificity the reason for denial.

RESPONSE:

2-7. Refer to the Company's Response to TPUC DR #1-38 where the Company states Integra Water is in the process of securing a security bond or bank letter of credit.

- a. Provide an update on the progress on securing such bond or letter of credit.
- b. Provide ongoing updates to this request until such financial security is obtained.
- c. Is the cost of obtaining the required financial security reflected in the Operating Expenses provided in an earlier data response?
 - i. If so, provide the estimated cost and identify where it is reflected in the Operating Expenses.
 - ii. Provide the actual cost of acquiring the financial security once such costs are known.
 - iii. If not, provide an estimate of the costs and explain why it is not reflected in the projected financial statements.

RESPONSE:

2-8. Referring to the Company's Response to TPUC DR #1-8, the Company provides a copy of an unexecuted contract between the Company and Envirolink. Regarding this unexecuted contract, provide the following:

- a. An update to the contract if any changes are or were made.
- b. A final executed copy once the contract is executed.
- c. Are the costs of the Monthly Operating Fee (Exhibit D) reflected in the financial projects provided by Integra?
 - i. If so, provide the reference to the line item which incorporate the cost estimates.
 - ii. Identify the amount and provide a brief analysis supporting the details supporting the estimate (work to be performed * Unit rates).
- d. Section xiv (sic) of the unexecuted contract with Envirolink indicates Envirolink will perform billing, collection and accounting services for Integra Water – Tennessee LLC. However, the response to TPUC DR #1-2 indicates that such services will be provided to Integra Water – Tennessee by Integra Water. Provide an explanation reconciling the terms of the contract with the table provided in response to TPUC DR #1-2.
- e. The file titled "Preferred Client Rate Sheet" was provided as a Supplemental Discovery Request. Confirm whether these labor rates are those that are to be incorporated within Exhibit E to the Public Works and Utility Management and Service Agreement Between Integra Water – Tennessee LLC and Envirolink, Inc.
- f. Subject to the Protective Order, identify each employee listed below and the annual base salary for the following positions referenced within the Preferred Client Rate Sheet:
 - i. Director of Utility;

- ii. Senior Project Manager;
 - iii. Project Manager; and
 - iv. Executive Assistant.
- g. Identify all private entities (non-public) in which Michael Myers has an ownership interest and the amount of his interest.
- h. Regarding the Preferred Client Rate Sheet, provide an estimated cost by individual that would be assigned to Integra Water – Tennessee LLC on an annualized basis. Include in your response whether such cost is incorporated within the forecasted Income Statement of Integra Water – Tennessee, and if so where it can be found.

RESPONSE:

2-9. Subject to the Protective Order, provide the Board Minutes from January 1, 2016 to current for the following entities:

- a. Envirolink;
- b. Integra Water LLC; and
- c. Integra Water – Tennessee.

RESPONSE:

2-10. Provide an electronic version of the Integra Water LLC's General Ledger for the periods:

- a. Calendar Year 2016; and
- b. 2017 year to date.

RESPONSE:

2-11. Referring to the Company's Response to TPUC DR #1-5, the Company did not identify Old North State Water Company (ONSWC) even though the Company lists ONSWC's facilities as its North Carolina facilities (<http://integrawater.com/locations.php>) and provides an application for new service on the Company's website for these North Carolina facilities (<http://integrawater.com/establish-new-svc-NC.php>). However, the Company did list ONSWC and other affiliates in its Response to CPAD #1-5.

- a. Provide an explanation regarding the differing response.
- b. Identify all members of:
 - i. ONSWC;
 - ii. Integra Water Baldwin, LLC;
 - iii. Integra Water Creola, LLC;
 - iv. Integra Water Madison County, LLC; and
 - v. South Carolina Water Company, LLC.
- c. Identify all officers of:
 - i. ONSWC;
 - ii. Integra Water Baldwin, LLC;
 - iii. Integra Water Creola, LLC;
 - iv. Integra Water Madison County, LLC; and
 - v. South Carolina Water Company, LLC.
- d. Provide an organizational chart showing the relationship between Integra Water LLC and its affiliates ONSWC; Integra Water Baldwin, LLC; Integra Water Creola, LLC; Integra Water Madison County, LLC; and South Carolina Water Company, LLC.

RESPONSE:

2-12. Refer to the Company's Response to CPAD #1-17, specifically, refer to lines 11E, 11H, 11L, and 11M in the provided response:

- a. Are these projected amounts calculated via the terms of the Support Service Agreement provided as an Exhibit in response to CPAD #1-6?
- b. Regardless of your response to CPAD #2-1a above, describe in detail how these amounts are calculated.

RESPONSE:

2-13. Refer to the Company's Response to CPAD #1-30, wherein the Company states that the system is projected to be finished in January of 2018:

- a. Describe in detail the projected timeline for the systems construction.
- b. Has the Company normally completed its projects within the projected timeline?
- c. If the answer to b is no, identify the projects not completed on time and the specific reasons for any delay in completion.

RESPONSE:

2-14. Refer to the Company's Response to CPAD #1-33:

- a. Were these existing homes and businesses approached to be provided service by the Company?
- b. If yes, provide details of the responses of each entity and identify the person approached.
- c. If they were not, provide a narrative response giving the reason(s) why each specific entity was not approached.

RESPONSE:

2-15. Refer to the Company's Response to CPAD #1-36:

- a. How many individual units does the Company anticipate will be in the condo development?
- b. Will the company be treating the condo development as a single customer or as multiple customers?

RESPONSE:

2-16. Refer to the Company's Response and Exhibit to CPAD #1-13, can a consumer pay via Debit Card with this payment processor?

RESPONSE:

2-17. Refer to the Company's Confidential Response to CPAD #1-30, and specifically, the tab "NEW TRA CCN APP" of the confidential rate model and then refer to marked line 19 entitled – "Other Charges" that references a new account fee:

- a. Does the Company intend to include the revenues from this fee in Operating Revenue?
- b. Does the Company intend to include this fee in its proposed Tariff?
- c. What is the fee designed to cover?
- d. How was the fee calculated and determined? Provide the basis and support for the fee.

RESPONSE:

2-18. Refer to the Company's Petition and Confidential Response to CPAD #1-30:

- a. Is the Company requesting an operating margin return?
- b. If yes, what percentage margin is the Company proposing?
- c. How was it calculated or determined?

RESPONSE:

2-19. Refer to the Company's Responses to TPUC DR #16 - #17 where the Company's response regarding an inquiry about a contract with the Homeowner's Association was to "See Exhibit DR2". However, Exhibit DR #2 contains filings with the Tennessee Secretary of State and not a contract.

- a. If Integra Water LLC has entered into a contract, provide a copy of the contract.
- b. If not, once the contract has been finalized with the Casey Cove Homeowners Association, provide the following:
 - i. A draft of such contract.
 - ii. The final contract once executed.
 - iii. All notes and/or correspondence between the real estate developer and any Integra Water affiliate regarding such services.
 - iv. Identify who will be or is involved in the contract negotiations.

RESPONSE:

2-20. Refer to the Company's Response to TPUC DR #18 where the Company's response referred to "the following diagram showing our standard Points of Demarcation." However, the

referred to diagram was not provided. Provide a copy of the diagram referred to in the Company's response.

RESPONSE:

2-21. Referring to the Company's Response to TPUC DR #31, provide a copy of the contract, agreement or any other documents between the Company and the developer that sets out the terms of the ownership transfer of the wastewater treatment and collection system.

RESPONSE:

2-22. Referring to the *Second Amended Petition* and the *Amended Tariff*, the Company states that the consumer will pay a late fee of 10%. However the Company's *Initial Petition*¹ at Addendum 1, the Company states the finance charge for a late payment is 1%.

- a. Provide an explanation for this change in the late fee from 1% to 10% from the *Initial Petition* to the *Second Amended Petition* and the *Amended Tariff*?
- b. Provide a list of late fees the Company assesses in other states, and provide an explanation for the differences of late fee assessments between states.

RESPONSE:

2-23. In addition to the change in assessed finance charge for a late penalty in the *Initial Petition* (1%) to the *Second Amended Petition* and the *Amended Tariff* (10%), Old North State Water

¹ The Consumer Advocate uses the term "*Initial Petition*" since Integra filed an Amendment to Petition for Certificate of Public Convenience (*Amended Petition*) on May 18, 2017 stating the flat monthly rate proposed is actually \$90 per residential unit and not the \$60 as stated in its *Initial Petition*.

Company (ONSWC)² assesses a finance charge for a late penalty of 1% as evidenced in Orders issued by the North Carolina Public Utilities Commission Docket No. W-1300, Sub 37 and Docket No. W-1300, Sub 38. Copies of the Orders in these two dockets are attached as **CPAD Exhibit 2-A**.

- a. How was the 1% finance charge fee calculated and determined. Provide the basis and support for the 1% finance charge for a late penalty as identified in the Company's *Initial Petition*.
- b. How was the 10% finance charge fee calculated and determined. Provide the basis and support for the 10% finance charge for a late penalty as identified in to the *Second Amended Petition* and the *Amended Tariff*.
- c. Provide the basis and support of a 10% finance charge in Tennessee when the finance charge in North Carolina is 1%.

RESPONSE:

2-24. Referring to the Company's Response to TPUC DR #2, the Company states that Integra Water will perform the billing functions. Does Integra Water perform the billing function for its affiliates operating in Alabama and North Carolina? If so, what procedures are in place to ensure that Tennessee customers will not be assessed fees charged in Alabama or North Carolina and not authorized by TPUC? Examples of other fees charged in other states by affiliates can be found in the service applications. Attached as **CPAD Exhibit 2-B** is the application for Alabama which is located at <http://www.integrawater.com/establish-new-svc-AL.php>. The application for North

² As explained in CPAD #2-1, ONSWC is listed on the Company's website, lists ONSWC's facilities as its own facilities, and provides ONSWC's application for new service on the Company's website.

Carolina is located at <http://www.integrawater.com/establish-new-svc-NC.php> and attached as **CPAD Exhibit 2-C**.

RESPONSE:

2-25. Referring to *Initial Petition* at Addendum 1, #19 New Account Fee:

- a. How is the New Account Fee calculated and determined? Provide the basis and support for assessing a fee of \$20 for new accounts.
- b. Identify what other states the Company assesses this New Account Fee?
- c. Identify the amount of this New Account Fee for each state and explain the reason for the differences among the states.

RESPONSE:

2-26. Referring to the *Second Amended Petition* and *Amended Tariff* about the Reconnection Charge:

- a. How is the Reconnection Charge calculated and determined? Provide the basis and support for assessing a fee of \$100 for new accounts.
- b. Identify what other states the Company assesses this Reconnection Charge?
- c. Identify the amount of this Reconnection Charge for each state and explain the reason for the differences among the states.

RESPONSE:

2-27. Referring to the *Amended Tariff*, Section 6.A. Company Contact, it states that the Company's representatives will be available "Monday – Friday from 9 a.m. to 5 p.m. to respond to customer inquiries."

- a. What is the time zone for these hours of 9 a.m. to 5 p.m.?
- b. Will the Company add the time zone in its proposed tariff to clarify the available hours?

RESPONSE:

2-28. Referring to the *Amended Tariff*, Section 6.A. Company Contact:

- a. Does the Company have an email address for customers to contact with inquiries?
 - i. If yes, provide the email address for customer inquiries.
 - ii. Will the Company be adding the email address to the proposed tariff since no email address is currently provided?
- b. Does the Company have a website address for customers to contact with inquiries?
 - i. If yes, provide the website address for customer inquiries.
 - ii. Will the Company be adding the website address to the proposed tariff since no email address is currently provided?

RESPONSE:

2-29. Referring to the *Amended Tariff*, Section 6.B. Company Contact, it states that the Company's Emergency Contact number is 877-511-2911. The Emergency Contact telephone number is the same telephone number as the Customer Service contact number identified in *Amended Tariff*, Section 6.A.

- a. Is it correct that the Emergency Contact number is the same number as the Customer Service contact number available between the hours of 9 a.m. to 5 p.m.?
- b. Is this phone number (877-511-2911) staffed by a live person 24 hours a day, 7 days a week?
- c. Is the person that staffs this telephone number the one making the determination of what is an “emergency” and what is an “inquiry”? If so, how is this determination made? Are there written procedures?

RESPONSE:

2-30. Refer to the Company’s Response to CPAD #1-12 which states “Customers can pay by check, auto draft, over the phone, or online.”

- a. Does the Company assess any fees for payment transactions set up by auto draft? If yes, provide the amount, basis and support for the fee and its amount.
- b. Does the Company assess a fee for a payment transaction completed over the phone? If yes, provide the amount, basis and support for the fee and its amount.
- c. Does the Company assess a fee when a customer’s check is returned by the bank? If yes, provide the amount, basis and support for the fee and its amount.
- d. Does the Company intend to include the revenues from this fee in Operating Revenue?

RESPONSE:

2-31. Refer to the Company’s Response to CPAD #1-12, answer the following and provide the documents to support your answers:

- a. Did the Company receive multiple bids from vendors for online payment processing services?
 - i. If so, how many and how much was each bid?
 - ii. If not, what was the process for awarding such contracts?
- b. Identify all vendors the Company has contracted over time regarding online payment processing services and each of the corresponding Credit Card Convenience Fees charged to the Company's customer for each vendor since.
- c. Provide copies of any bids and contracts.
- d. If the Company has only had one vendor providing the online credit card processing service, provide the Credit Card Convenience Fees charged to the Company's customers by year since date of implementation.
- e. Identify the contact at the current vendor for the Company?
- e. Provide billing statements from the vendor(s) for 2014, 2015 and 2016.
- f. Provide all documents relating to the amount of fees collected from customers to process a payment on line.
- g. Provide all documents relating to the amount of monies generated from fees collected from customers to process a payment on line.
- h. Identify all Company employees who participated in the selection of the vendor.

RESPONSE:

2-32. Referring to the Company's Response to CPAD #1-13 and the Company's Notice of Filing Instructions filed with TPUC on October 3, 2017, explain the conflicting credit card convenience fees set out in each.

- a. Which is the correct credit card convenience fee to be charged to the Company's customers who opt to pay their bill online?
- b. The credit card convenience fee is not set out in the *Initial Petition* or the two *Amended Petitions* or the *Amended Tariff*. If the Company still intends to assess a credit card convenience fee, explain why the fee is not included in the *Initial Petition* or the two *Amended Petitions* or the *Amended Tariff*.
- c. If the Company intends to assess the credit card convenience fee, when will the Company amend its *Petition* and *Proposed Tariff* to include this fee?

RESPONSE:

2-33. Does the Company and the Developer have an agreement regarding a “developer’s operating subsidy” or “maintenance fee” which is a negotiated fee between the Company and developer to cover the maintenance of the plan until enough customers connect to make the utility plant sustainable?

- a. If yes, what is the fee amount?
- b. How is the fee calculated and determined? Provide the basis and support for this fee.
- c. Provide a copy of the agreement detailing this fee and any other documents regarding the agreement and the fee between the Company and the developer.
- d. Does the Company intend to include the revenues from this fee in Operating Revenue?

RESPONSE:

2-34. Does the Company and the Developer have an agreement for a “capacity development fee”?

- a. If yes, what is the fee amount?
- b. How is the fee calculated and determined? Provide the basis and support for this fee.
- c. Provide a copy of the agreement and any other documents regarding the agreement and the fee between the Company and the developer.
- d. Does the Company intend to include the revenues from this fee in Operating Revenue?

RESPONSE:

2-35. Referring to the Company's Notice of Filing Instructions filed with TPUC on October 3, 2017, the Company's application for Service requires a copy of a potential customer's driver's license, the individual's driver's license number and the individual's social security number. Answer the following questions regarding the security for this personal identifiable information of potential customers, who may or not become actual customers:

- a. For what purpose does the Company require this personal identifiable information?
- b. How long does the Company retain this personal identifiable information beyond the use described in subsection a. above.
- c. Does the Company have a privacy and security policy, and does the policy apply to personal identifiable information of its customers?
- d. Does the Company have policies on storing personal identifiable information including where it is stored, how long it is stored, and how it is eliminated?
 - i. What are the specific procedures for the retention and elimination of the personal identifiable information of potential customers who are denied service?

- ii. What are the specific procedures for the retention and elimination of the personal identifiable information of customers who have terminated their service?
- e. Does the Company conduct periodic risk assessments to identify cybersecurity threats, vulnerabilities and potential business consequences?
- f. What are the Company's processes and systems for dealing with cybersecurity threats and protection of personal identifiable information?
- g. Are all personnel who come in contact with personal identifiable information trained on adequate protection of the information? Explain the type, duration and frequency of this training.
- h. Does the Company have an annual independent assessment made of its cybersecurity processes?
- i. Are the Company's technology systems regularly updated?
- j. Is advanced authentication used by the Company? Can the Company explain the process?
- k. Does the Company have a chief information security officer or equivalent position?

RESPONSE:

2-36. Is there an agreement between Integra and Envirolink, written or oral that Envirolink will be the exclusive provider of specified services? If so, please summarize the details surrounding this exclusivity provision.

RESPONSE:

RESPECTFULLY SUBMITTED,

Karen H Stachowski

KAREN H. STACHOWSKI (BPR #019607)

Assistant Attorney General

Office of the Tennessee Attorney General

Public Protection Section

Consumer Protection and Advocate Division

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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:

Benjamin A. Gastel, Esq.
Branstetter, Stranch & Jennings, PLLC
The Freedom Center
223 Rosa L. Parks Avenue, Suite 200
Nashville, Tennessee 37203
Tel: 615.254.8801
Fax: 615.255.5419
Email: beng@bsjfirm.com

This the 11th day of October 2017.

Karen H Stachowski
Karen H. Stachowski