

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE

IN RE:  
PETITION OF INTEGRA WATER TENNESSEE, LLC  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE  
AND NECESSITY AND TPUC TO CHARGE RATES IN  
CASEY COVE SUBDIVISION LOCATED IN DEKALB  
COUNTY, TENNESSEE

Docket No. 17-00014

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**PETITIONER'S RESPONSES TO STAFF DATA REQUESTS OF  
JANUARY 4, 2018**

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Petitioner Integra Water Tennessee, LLC. (Company), provides these Responses to  
Staff Data Request dated January 4, 2018.

**RESPONSES**

**REQUEST 1:** Please explain whether the Developer intends to sell the 31 lots or whether the Developer plans to build houses on the 31 lots and then sell them. The build-out schedule provided indicated that all houses will be built within two years and produce maximum revenue within three years. What security does the Utility have to insure that it receives its projected maximum recurring revenue by the third year of the build-out?

**RESPONSE:** The Developer intends to both develop the project and function as the builder. Integra does not have a guarantee that the builder will meet this schedule.

**REQUEST 2:** Please explain the status of the Development at the present time, including:

1. How many of the 31 lots have been sold?
2. How many lots are included in the preliminary plat?
3. Has the Developer recorded a preliminary plat for Casey Cove? If so, please provide a copy of the plat or an electronic link to be able to view the

approved preliminary plat as submitted to the planning commission in DeKalb County.

4. The TDEC application filed with the Petition states that Casey Cove will be a subdivision of 31 three-four bedroom homes; however, the response to CAPD's DR #2-15 and #1-36 indicates a condo development of 5 condos will be part of the 31 homes. Please provide a summary of the types of homes, condos, rental cabins, etc. that will be in the development.

**RESPONSE:**

1. Zero.
2. Thirty one.
3. No. The project is on hold until a sewer permit is issued. Currently, processing of the sewer permit is pending TRA approval.
4. The development has changed slightly since our last data request. The development will be 27 detached 3-4 bedroom homes and 4 attached condos.

**REQUEST 3:** Has Integra TN obtained a bond from the Developer to insure build-out of the system to completion? If not, does Integra intend to fund the build-out of the system if the Developer does not complete construction of the wastewater treatment and collection system?

**RESPONSE:** No. Integra will have no investment in the design, permitting and construction of the system. Therefore, if the system is not built out, the only damages that Integra will suffer are expenses related to obtaining TRA approval. While this investment is significant, Integra typically assumes the risk of obtaining regulatory approval.

**REQUEST 4:** Has the Developer provided a letter of credit or bond to the Planning Commission to insure complete build-out of the subdivision? If so, please provide a copy of said letter of credit or bond. If the security instrument has not been provided, please explain when the Developer plans on supplying the security.

**RESPONSE:** No. To our knowledge, the Upper Cumberland Planning Commission has not required the developer to post a bond for this project.

**REQUEST 5:** Based on the Company Responses in the Petitioner's Responses to Second Discovery Request of the Consumer Protection and Advocate Division, that Envirolink is no longer willing to support Integra TN, does that also make the contract between the Utility and Envirolink null and void?

**RESPONSE:** Yes.

**REQUEST 6:** Please provide clarification of the statement on page 1 of the Pre-Filed Direct Testimony of Michael J Myers wherein Mr. Myers testifies that "Integra Water Tennessee, LLC's affiliated companies own and operate other water and wastewater utility systems in North Carolina and Alabama under the names Envirolink and Old North State Water Company in North Carolina ..... ". Does this mean that Integra Water Tennessee, LLC's affiliated companies own Envirolink? Which of the affiliated companies of Integra Water Tennessee, LLC own Envirolink?

**RESPONSE:** Integra and Envirolink contest any affiliation between Envirolink and Integra. They are completely separate companies. Neither Integra Water Tennessee, Integra Water or Old North State Water Company has any affiliation with Envirolink other than Mr. Myers is a owner in both companies. Envirolink is a completely separate company but a strict interpretation on the proposed Tennessee legislation suggest that by Tennessee standards, Mr. Myers ownership in both companies, causes Tennessee to view them as affiliated.

**REQUEST 7:** Please list the Company's affiliate's names, as provided as the response in #5 of the First Discovery Response of the Consumer Protection and Advocate Division, and identify by company the number of residential wastewater customers and the number of commercial wastewater customers.

**RESPONSE:**

<b>Integra Water Company's</b>	<b>Residential WW</b>	<b>Commercial WW</b>
Old North State Water Co, LLC	2871	1
Integra Water Vinemont, LLC	34	21
South Carolina Water Co, LLC	0	0
Integra Water Baldwin, LLC	0	0
Integra Water Creola, LLC	49	52
Integra Water Madison, LLC	799	31
Integra Water Tennessee, LLC	0	0

**REQUEST 8:** Number 6 of the CAPD Response states that the contracts with all affiliates were provided in previous correspondence. Please identify where the contracts were filed in the TPUC docket.

**RESPONSE:** The contract referenced in Integra Water Tennessee's Response, is the Support Services Agreement and has been filed and is referenced in Question 18 below.

**REQUEST 9:** How many wastewater customers were disconnected for non-payment in North Carolina in 2015, 2016 and 2017?

**RESPONSE:**

1. 2015: 404
2. 2016: 307
3. 2017: 259

**REQUEST 10:** How many wastewater customers were disconnected for non-payment in Alabama in 2015, 2016 and 2017? Did the Company also cut off water services for these customers? If no, please explain why,

**RESPONSE:**

1. 2015: 97
2. 2016: 34
3. 2017: 23

**REQUEST 11:** The Response for #15 to CAPD Response states that Envirolink has experience with over 30 difference wastewater plants ranging from lagoon to reclaimed wastewater systems. Please explain the type of experience that Envirolink has with these systems. Please provide the wastewater treatment plant name and location and provide how long Envirolink has been the vendor.

**RESPONSE:** As Envirolink is not an affiliated company and will not be supporting Integra Water Tennessee, Envirolink's position is that this is confidential information and is under no obligation to provide that information.

**REQUEST 12:** What provisions (if any) are being made for funding plant replacement or enhancements, if the need arises?

**RESPONSE:** Capital support for Integra Water Tennessee is provided on an as needed basis from Integra Water.

**REQUEST 13:** Does the customer have to provide any component of the wastewater system? If so, please explain. Does the Utility bear all cost of installation, maintenance, etc. of the wastewater system?

**RESPONSE:** The developer/builder will bear all cost related to the initial installation of

the wastewater system. Integra Water Tennessee will bear cost of maintenance of the wastewater system from the valve at the edge of ROW through the wastewater treatment and disposal system. The customer will bear the cost of maintenance on the pump and septic system located on the homeowner's parcel.

**REQUEST 14:** The Income Statement provides that there will be \$3,600 in maintenance the first year. Please detail how this number was calculated?

**RESPONSE:** We believe the application shows a \$3,900 of maintenance cost in year 1. This includes the following:

- a. Preventive Maintenance – Plant - \$350
- b. Corrective Maintenance& Repair – Plant - \$2,800
- c. Corrective Maintenance & Repair - Effluent Disposal - \$750

**REQUEST 15:** Please state your position regarding the assessment of an access fee to the developer on lots prior to houses being built, and assessing an access fee to lot owners prior to obtaining sewer service.

**RESPONSE:** Integra Water is not opposed to assessing an Access/Availability Fee; however, in our experience, these fees often become a collection issue and are difficult to manage. For this reason, we typically do not include an Access Fee/Availability Fee. That said, if the TRA feels that an Access Fee/Availability Fee is warranted, Integra Water has no objection.

**REQUEST 16:** Please state how Integra will ensure that the developer connects all 31 customers to the wastewater system.

**RESPONSE:** There may be a couple of concerns related to this question that we will attempt to address.

- a. Rate of Development Concern: Integra Water has no guarantee on the speed of the development. However, in our experience in high growth markets, this risk tends to be minimal. The Nashville area is one of the highest growth markets on the east coast. The only similar market where we operate is the Raleigh-Durham market in North Carolina, where similar sized communities tend to build out in 2-3 years.
- b. Builder chooses not to connect to the wastewater system: This risk is mitigated both contractually and practically. Practically, the Developer/Builder is making a significant investment into the wastewater system and thus is incentivized to utilize the assets that they will fund. Additionally, the contract requires that the developer utilize the wastewater system.

**REQUEST 17:** Please identify the Managing Members of “*Old North State Water Company, LLC*”?

**RESPONSE:** John McDonald and Michael Myers.

**REQUEST 18:** Please provide a copy of the signed negotiated *Support Services Agreement* between Integra Water, LLC and Integra Water, Tennessee LLC? An unsigned copy was provided as a response to CAPD #1-6.

**RESPONSE:** We would prefer to wait for TRA approval before providing a signed copy of the agreement. This will give the Integra Water the opportunity to make any adjustments or changes to address TRA concerns prior to execution. We are happy to execute the agreement upon TRA review and acceptance of the agreement, but we felt that it was appropriate to give TRA the opportunity to review the agreement prior to execution.

**REQUEST 19:** The previous response filed in this Docket on October 23, 2017 stated that “Envirolink is unwilling to conduct business with Integra Water Tennessee at this time. As such, Integra Water Tennessee will have to provide the services provided by Envirolink third party or allocated cost. The impact is that the cost of service will be significantly higher.” Please provide the latest projected five (5) year build-outs for the Balance Sheet, Income Statement and Statement of Cash-Flows including any revised expenses.

**RESPONSE:** We have not modified the budget, since this system has not been put into operations at this point. Rather, Integra Water has decided to obtain historical data and then file for a rate case in future years as needed. That comment was made based on previous experience and thus, we expect that the cost of management fees to increase because Integra Water does not possess the buying power of Envirolink not does it have the ability to spread overhead like Envirolink.

**REQUEST 20:** Please provide an update of the total expenses to be included in calculating the Monthly Operating Fee.

**RESPONSE:** The expenses filed are still the expenses that Integra is using to determine the Monthly Operating Fee.

**REQUEST 21:** The TDEC Application provided with the Petition states that there will be a subdivision of 31 (3-4) bedroom homes; however, in responses to the CAPD, Integra indicated that there would be one condo development of 4-5 condos. Will these condos be for overnight rental?

**RESPONSE:** To the best of our knowledge, no. The developer/builder intends to sell these to “full time” residents; however, there is no guarantee that a future homeowner will not rent the units.

**REQUEST 22:** A bond was received for Integra Water Tennessee, LLC; however, the Power of Attorney for the Surety Agent was not attached. Please provide. In addition, in the next to last sentence of the text in the bond the word thirty, followed by (60) days was used for notice of cancellation. Please have the bond corrected, changing the word thirty to sixty.

**RESPONSE:** This has been completed and refiled.

Date: January 18, 2018

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'BAG', is positioned above the typed name and contact information.

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document was sent by U.S. Mail, postage prepaid and electronic mail on this the January 18, 2018 to the following:

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