

BAKER DONELSON

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October 24, 2017

Tennessee Public Utility Commission
c/o Sharla Dillion, Dockets and Records
Manager
502 Deaderick Street, 4th Floor
Nashville, Tennessee 37243



Re: TPUC Docket No. 17-00108

Ms. Dillion:

Attached for filing please find *Tennessee Water Service, Inc's* (i) **Proposed Tariff**; (ii) **Original Customer Notice Letter**, which was mailed out to all customers via U.S. Mail on September 25th, 2017 to the current customer address on file; and (iii) **Published Public Notice**. The Published Public Notice was circulated on October 24th, 2017 in The Mountain Press printed newspaper, which is a newspaper of general circulation in the service area of Tennessee Water Service, Inc. Along with being published in the E-Edition of The Mountain Press, which can be found on their website at (www.themountainpress.com), this Public Notice was also published in Line Ad form on the Tennessee Press Service Site (www.publicnoticeads.com). Please note, this Public Notice was submitted and published for print with The Mountain Press prior to final revisions of the attached Tariffs, which reflect changes based on feedback/questions from the Consumer Advocate

As required, an original of this filing, along with four (4) hard copies, will follow. Should you have any questions concerning the enclosed, please do not hesitate to let me know.

Very truly yours,

BAKER, DONELSON, BEARMAN,
CALDWELL & BERKOWITZ, PC

s/ Ryan Freeman

Ryan Freeman

Enclosures

cc: Karen Stachowski, (VIA EMAIL)
Karen.Stachowski@ag.tn.gov

RAF/scs

4834-6374-8434 v1

INTERIM EMERGENCY WILDFIRE RESTORATION SURCHARGE

1. Applicability

In addition to the other charges provided for in this Tariff, the Interim Emergency Wildfire Restoration Surcharge ("IEWRS") will apply to customers in all service areas served by Tennessee Water Service, Inc. ("TWS").

This surcharge is set at a certain sum to be applied through the entirety of its existence.

2. General Description

To recover a return on equity for capital costs incurred due to damages sustained by the wildfires that spread throughout the Gatlinburg, Tennessee, area on November 28, 2016 (the "2016 Wildfires"). The IEWRS will apply prospectively to all customer bills beginning on the first billing cycle following December 12, 2017. The IEWRS will be applied to customer bills for a period not to exceed 18 months from the approval of this tariff.

3. Surcharge Formulation

The IEWRS is computed by determining the Total Revenue Requirement necessary for TWS to earn a fair and reasonable return on equity for the additional rate base from the capital investment of \$300,000.00 to address damages sustained during the 2016 Wildfires and dividing that requirement by the total number of customers. This number is then divided by 18 to represent the potential number of months the IEWRS will apply.

This formula is represented below:

$$((\text{Total Revenue Requirement}) / (\text{Total Number of Customers})) / 18 = \text{IEWRS}$$

$$(\$25,652.00 / 565) / 18 = \$2.52 \text{ per month}$$

INTERIM EMERGENCY WATER SERVICE AVAILABILITY SURCHARGE

1. Applicability

In addition to the other charges provided for in this Tariff, the Interim Emergency Water Service Availability Surcharge ("IEWSAS") will apply to customers in all service areas served by TWS.

This surcharge is set at a certain sum to be applied through the entirety of its existence.

2. General Description

To recover a return on equity on capital assets already in place to serve TWS' customers. Because of the 2016 Wildfires, the number of customers that are connected to TWS' water system has greatly reduced. The IEWSAS will apply prospectively to all customer bills beginning on the first billing cycle following December 12, 2017, to allow TWS to recover its authorized return on equity for assets that would have been serving the entirety of the TWS water system in Chalet Village but for the effects of the 2016 Wildfires. The IEWSAS will be applied to customer bills for a period not to exceed 18 months from the approval of this tariff.

3. Surcharge Formulation

The IEWSAS is computed by determining the Total Revenue Requirement necessary for TWS to earn a return on equity on its existing rate base and dividing that requirement by the total number of customers. This number is then divided by 18 to represent the potential number of months the IEWRS will apply.

This formula is represented below:

$$((\text{Total Revenue Requirement}) / (\text{Total Number of Customers})) / 18 = \text{IEWSAS}$$

$$(\$45,904.00 / 565) / 18 = \$4.51 \text{ per month}$$

INTERIM EMERGENCY MAKE-WHOLE SURCHARGE

1. Applicability

In addition to the other charges provided for in this Tariff, the Interim Emergency Make-Whole Surcharge ("IEMWS") will apply to inactive customers of TWS.

This surcharge is set at a certain sum to be applied through the entirety of its existence.

2. Definition

- **"Inactive Customer"** - a customer that has access to the water distribution system, but does not currently have an active account and thus is not consuming water or being billed for water consumption.

3. General Description

To recover operational and maintenance expenses that are not being met due to a revenue shortfall directly attributable to the 2016 Wildfires. Because of the 2016 Wildfires, the number of customers that are connected to TWS' water system has greatly reduced, and has thereby reduced the revenue necessary to cover operational and maintenance expenses. The IEMWS will apply prospectively to all customer bills beginning on the first billing cycle following December 12, 2017, to allow TWS to recover a sum necessary to meet the projected operational and maintenance expenses not met by the normal revenue collected by TWS or the other surcharges in this Tariff. The IEMWS will be applied to customer bills for a period not to exceed 18 months from the approval of this tariff.

4. Surcharge Formulation

The IEMWS is computed by forecasting the net loss for the 12-month period ending December 31, 2017. This number is then divided by the projected number of inactive customers at December 31, 2017 to determine the total surcharge per inactive customer. This number is then divided by 18 to account for the 18-month timeframe the surcharge is to be in place.

This formula is represented below:

$$(\text{Projected Net Loss} / \text{Inactive customers}) / 18 = \text{IEMWS}$$

$$(\$80,860 / 405) / 18 = \$11.09 \text{ per month}$$

INTERIM EMERGENCY OPERATIONAL COSTS PASS-THROUGH MECHANISM

1. Applicability

In addition to the other charges provided for in this Tariff, the Interim Emergency Operational Costs Pass-Through Mechanism ("IEOCPTM") will apply to active customers of TWS.

The IEOCPTM will be calculated on a semi-annual basis with notice of any pass-through costs being reported to the Tennessee Public Utility Commission Staff prior to applying the pass-through costs to active customer bills.

2. Definitions

- **"Active Customer"** - a customer that has access to the water distribution system with an active account is currently being billed for water consumption at the time of the assessment of any increase/decrease of TWS' pass-through costs.
- **"Adjusted Review Period IEOCPTM Costs"** - means the Review Period IEOCPTM Costs net of the Over-Under Collection Adjustment.
- **"Base Period"** - means the six month period of January 1, 2017 to June 30, 2017.
- **"Base Period IEOCPTM Costs"** - means the amount of expenses of TWS for purchased power expense and purchased water expense during the Base Period.
- **"Consumer Advocate"** - means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.
- **"IEOCPTM Surcharge Rate"** - means the total amount per Active Customer bills to be recovered through the IEOCPTM.
- **"Over-Under Collection Adjustment"** - means the adjustment to the IEOCPTM Surcharge Rate applicable to the coming Review Period for the net amount of over or under collections for the prior Review Period.
- **"Review Period IEOCPTM Costs"** - means the amount of actual annual expenses of TWS for purchased power expenses and purchased water expenses during the applicable Review Period.
- **"Review Period"** - means the six month period on which the Review Period IEOCPTM Costs are calculated.

3. General Description

The IEOCPTM allows TWS to recover outside of a rate case its incremental cost for purchased power expenses and purchased water expenses.

Review Period IEOCPTM Costs are to separately identifiable on TWS' books and segregated into the following general accounts:

Accounts 610 for - Purchased Water Expense;
Accounts 615 for - Purchased Power Expense.

4. Determination of Pass-Through Cost Percentage

- (A) The IEOCPTM Surcharge Rate shall be expressed as a dollar figure to be applied to TWS' Active Customers bills for six months following an IEOCPTM Surcharge Rate calculations.
- (B) The IEOCPTM Surcharge Rate shall be calculated on a semi-annual historical basis as follows:

Base Period IEOCPTM Costs
Divided by Base Period Sales Volume in 100 Gallons
= Base Period IEOCPTM Costs per 100 Gallons

Review Period IEOCPTM Costs Subject to TPUC's Water Loss Policies
Plus Over-Under Collection Adjustment
= Review Period IEOCPTM Costs Adjusted for Over-Under Collections
Divided by Review Period Sales Volume In 100 Gallons
= Adjusted Review Period IEOCPTM Costs per 100 Gallons

Incremental Change in IEOCPTM Costs per 100 Gallons
Multiplied by Review Period Sales Volume per 100 Gallons
= Net Deferred IEOCPTM Costs
Divided by Average Monthly Total of Active Customers During Review Period
= Net Deferred IEOCPTM Costs per Active Customer
Divided by Six (6)
= IEOCPTM Surcharge Rate per Active Customer bill per Month

- (C) The IEOCPTM Surcharge Rate shall apply to Active Customer bills for the six months following the submission of the above calculation to TPUC Staff and the Consumer Advocate.

5. Computation of the Over-Under Collection Adjustment

TWS will identify and record the total amount of the IEOCPTM Surcharge Rate collected from Active Customer during the six month period following the calculation as defined in Section 4. The difference between total IEOCPTM Surcharge Rate collected and the total Net Deferred IEOCPTM Costs authorized for the Review Period, as adjusted for Interest, shall constitute the Over-Under Collection Adjustment.

- (A) The Over-Under Adjustment shall be computed as follows:

Total IEOCPTM Costs Collected from Customers for the Review Period
Less Total Deferred IEOCPTM Costs Authorized for Review Period
= Subtotal of Over-Under Collection Adjustment
Plus Interest Adjustment
= Total Over-Under Collection Adjustment

(B) Computation of Interest Adjustment.

Interest shall be computed as follows:

Subtotal of Over-Under Collection Adjustment
Multiplied by (Interest Rate Multiplied by 50%) Interest Adjustment
= Interest Adjustment

Where "Interest Rate" equals the prime rate value published in the Federal Reserve Bulletin or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

6. New Base Rates

The IEOCPTM Surcharge Rate will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the semi-annual costs that had theretofore been recovered under the IEOCPTM Surcharge Rate or after a period of six months from the submission of the calculation in Section 4 to TPUC and the Consumer Advocate.

7. Semi-Annual Filing

TWS will file its first IEOCPTM Calculation following the six month period of January 1, 2018, through June 30, 2018 (the "First Review Period"). The filing shall be verified by an officer of TWS. The IEOCPTM Surcharge Rate will become effective 30 days after the semi-annual filing is submitted to TPUC and shall be applied as an adjustment to Active Customers' bills for the six month period following the effective date of the IEOCPTM Surcharge Rate. TWS shall file one adjustment each six months to include both the new IEOCPTM Surcharge Rate based on the semi-annual production expense and the reconciliation of the Over-Under Collections Adjustment.

TWS will include in its semi-annual filing the following information at a minimum: (a) a schedule of all Review Period IEOCPTM Costs, including any related general ledger support; (b) actual billing determinants by month as used in the computation of the IEOCPTM Surcharge Rate Collected from Customers; (c) a computation of the IEOCPTM Surcharge Rate, including the detailed calculation of each component; (d) a schedule of any proposed prior period adjustments; (e) an affirmative statement of whether TWS is aware of any changes in market conditions that may affect whether the IEOCPTM Surcharge Rate is still in the public interest, including the identification of such factors if they exist; (f) the cumulative amount of IEOCPTM

Surcharge Rate Costs collected from Customers under this mechanism; and (g) such other information as TPUC may direct.

TWS will simultaneously copy the Consumer Advocate on this semi-annual filing.

8. Notice Requirements

TWS will file revised tariffs for TPUC approval upon 30 days' notice to implement a decrement or an increment to the IEOCPTM Surcharge Rate. Along with the tariff filing, TWS will include a copy of the computation of the new IEOCPTM Surcharge Rate. TWS will simultaneously copy the Consumer Advocate on this tariff filing.

9. Public Interest Review

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this cost pass-through mechanism, as permitted by law and the rules and regulations of TPUC, for a reconsideration of whether it remains in the public interest.



September 22, 2017

Re: Notice of Petition for Emergency Interim Relief

Dear Tennessee Water Service Customer:

On September 22, 2017, Tennessee Water Service, Inc. ("TWS" or "Company"), has petitioned the Tennessee Public Utility Commission ("TPUC" or "Commission") for emergency interim relief ("Petition") for TWS.

The purpose of the Petition is to allow TWS to recover the costs of providing drinking water service to its customers during the period of recovery from the devastating, wind-driven wildfires of 2016 ("2016 Wildfires") that destroyed and/or severely damaged most of the homes connected to TWS' drinking water system.

The last TWS rate increase was approved by TPUC on September 15, 2009.

As you may recall, to alleviate the pressure felt by customers affected by the 2016 Wildfires, TWS put a hold on all bills for affected homes. TWS extended the due date on all outstanding balances until March 31, 2017, for services rendered prior to the 2016 Wildfires, and it informed customers that after March 31, 2017, normal billing would resume for those customers for whom water service had been restored.

Currently, capital improvements are needed to address the damage to the drinking water system caused by the 2016 Wildfires and to provide for system reliability, efficiency, and integrity.

As noted, the Company proposes the following emergency interim relief measures:

- a. Interim Emergency Wildfire Restoration Surcharge - a public utility may request and the Commission may authorize a mechanism to recover the operational expenses, capital costs, or both, if such expenses or costs are found to be in the public interest and are related to weather-related natural disasters. TWS proposes that the Commission approve an Interim Emergency Wildfire Restoration Surcharge to be applied to both active and inactive customer bills for capital costs incurred prior to and after the 2016 Wildfires as these costs are directly in line with the public interest in rebuilding the Chalet Village drinking water system. The Restoration Surcharge would be an additional \$3.78 each month for all customers.
- b. Interim Emergency Water Service Availability Surcharge - Currently, TWS is not charging those customers who have not reconnected to the drinking water system since the 2016 Wildfires and are thus inactive customers. TWS proposes that the

Commission approve an Interim Emergency Water Service Availability Surcharge to these inactive customers along with active customers. The Water Service Surcharge would only apply to all TWS customers and would total \$6.77.

c. Interim Emergency Make-Whole Surcharge

TWS proposes that the Commission approve an Interim Emergency Make-Whole Surcharge to be applied to the bills of its inactive customers to offset the O&M expenses that are not being met due to the projected revenue shortfall. The Make-Whole Surcharge would be \$14.26.

A comparison of active and inactive customer monthly bills under the proposed surcharges is shown below:

Changes to Monthly Bills from Surcharges		
Customer Status	Average Monthly Bill Prior to Proposed Surcharges	Average Monthly Bill After Proposed Surcharges
Active	\$58.60	\$69.15
Inactive	\$0.00	\$24.81

- d. Interim Emergency Operational Costs Pass-Through Mechanism - TWS proposes that in the event of an increase or decrease to TWS' non-discretionary operational costs to obtain and distribute water to its customers, which includes at least water purchase costs from Gatlinburg and electricity, the Company may adjust its charges to pass the increase or decrease through to active customers without the need for prior approval from TPUC. TWS will provide Commission and Staff notice of any increase prior to implementing the pass-through.

The four proposed changes to TWS' charges and rates are specifically and narrowly tailored to the needs that have arisen because of the 2016 Wildfires. These proposals are intended to have a limited timeframe of effect. TWS proposes that the interim period for which they are applicable be no more than eighteen (18) months from the date of the Commission's approval of this Petition.

If you have any questions, please feel free to contact Customer Service at (800) 525-7990 or customerservice@uiwater.com.

Sincerely,

Tennessee Water Service, Inc.

3x8 TN Water Service WEB

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Details for 3x8 TN Water Service WEB

9 hrs ago

Tennessee Water Service Customers: On September 22, 2017, Tennessee Water Service, Inc., filed a Petition with the Tennessee Public Utility Commission ("TPUC") for emergency interim relief for TWS. The purpose of the Petition is to allow TWS to recover the costs of providing drinking water service to its customers during the period of recovery from the devastating, wind-driven wildfires of 2016 that destroyed and/or severely damaged most of the homes connected to TWS' drinking water system. The last TWS rate increase was approved by TPUC on September 15, 2009. As you may recall, to alleviate the pressure felt by customers affected by the 2016 Wildfires, TWS put a hold on all bills for affected homes. TWS extended the due date on all outstanding balances until March 31, 2017, for services rendered prior to the 2016 Wildfires, and it informed customers that after March 31, 2017, normal billing would resume for those customers for whom water service had been restored. Currently, capital improvements are needed to address the damage to the drinking water system caused by the 2016 Wildfires and to provide for system reliability, efficiency, and integrity. In its Petition, TWS has proposed the following emergency interim relief measures: a. Interim Emergency Wildfire Restoration Surcharge - TWS has proposed that TPUC approve this surcharge, which would be applied to all customer bills for capital costs related to damages sustained by the 2016 Wildfires as these costs are directly in line with the public interest in rebuilding the Chalet Village drinking water system. The Restoration Surcharge would be an additional \$3.78 each month for all customers. b. Interim Emergency Water Service Availability Surcharge - TWS has proposed that TPUC approve this surcharge, which would be applied to all customer bills to allow TWS to recover costs for capital assets in place and currently serving the water system. The Water Service Availability Surcharge would be an additional \$6.77 each month for all customers. c. Interim Emergency Make-Whole Surcharge - TWS has proposed that TPUC approve this surcharge, which would only be applied to the bills of its inactive customers to offset the Operations and Maintenance expenses that are not being met due to the projected revenue shortfall. The Make-Whole Surcharge would be an additional \$14.26 each month for inactive customers. In summary, an active customer's average monthly bill would go from \$58.60 to \$69.15, and an inactive customer's average monthly bill would go from \$0.00 to \$24.81. d. Interim Emergency Operational Costs Pass-Through Mechanism - TWS has proposed that in the event of an increase or decrease to TWS' non-discretionary operational costs to obtain and distribute water to its customers, which includes at least water purchase costs from Gatlinburg and electricity, TWS may adjust its charges to pass the increase or decrease through to active customers without the need for the filing of rate case before TPUC. TWS will provide TPUC and the Consumer Protection and Advocate Division of the Tennessee Attorney General notice of any increase prior to implementing the pass-through. The four proposed changes to TWS' charges and rates are specifically and narrowly tailored to the needs that have arisen because of the 2016 Wildfires. These proposals are intended to have a limited timeframe of effect. TWS proposes that the interim period for which they are applicable be no more than eighteen months from the date of TPUC's approval of this Petition. TPUC will hold a hearing on this matter on December 12, 2017, at its offices in Nashville, Tennessee. If you have any questions, please feel free to contact Customer Service at (800) 525-7990 or customerservice@uiwater.com. You may also visit the TPUC website at <https://www.tn.gov/tpuc> and check the Active Docket Index for Docket No. 17-00108 to keep up to date on the filings. 10/24/17

The newspapers of **Tennessee** make public notices from their printed pages available electronically in a single database for the benefit of the public. This enhances the legislative intent of public notice - keeping a free and independent public informed about activities of their government and business activities that may affect them. Importantly, Public Notices now are in one place on the web (www.PublicNoticeAds.com), not scattered among thousands of government web pages.

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In its Petition, TWS has proposed the following emergency interim relief measures:

a. Interim Emergency Wildfire Restoration Surcharge - TWS has proposed that TPUC approve this surcharge, which would be applied to all customer bills for capital costs related to damages sustained by the 2016 Wildfires as these costs are directly in line with the public interest in rebuilding the Chalet Village drinking water system. The Restoration Surcharge would be an additional \$3.78 each month for all customers.

b. Interim Emergency Water Service Availability Surcharge - TWS has proposed that TPUC approve this surcharge, which would be applied to all customer bills to allow TWS to recover costs for capital assets in place and currently serving the water system. The Water Service Availability Surcharge would be an additional \$6.77 each month for all customers.

c. Interim Emergency Make-Whole Surcharge - TWS has proposed that TPUC approve this surcharge, which would only be applied to the bills of its inactive customers to offset the Operations and Maintenance expenses that are not being met due to the projected revenue shortfall. The Make-Whole Surcharge would be an additional \$14.26 each month for inactive customers.

In summary, an active customer's average monthly bill would go from \$58.60 to \$69.15, and an inactive customer's average monthly bill would go from \$0.00 to \$24.81.

d. Interim Emergency Operational Costs Pass-Through Mechanism - TWS has proposed that in the event of an increase or decrease to TWS' non-discretionary operational costs to obtain and distribute water to its customers, which includes at least water purchase costs from Gatlinburg and electricity, TWS may adjust its charges to pass the increase or decrease through to active customers without the need for the filing of rate case before TPUC. TWS will provide TPUC and the Consumer Protection and Advocate Division of the Tennessee Attorney General notice of any increase prior to implementing the pass-through.

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have arisen because of the 2016 Wildfires. These proposals are intended to have a limited timeframe of effect. TWS proposes that the interim period for which they are applicable be no more than eighteen months from the date of TPUC's approval of this Petition.

TPUC will hold a hearing on this matter on December 12, 2017, at its offices in Nashville, Tennessee.

If you have any questions, please feel free to contact Customer Service at (800) 525-7990 or customerservice@uiwater.com. You may also visit the TPUC website at <https://www.tn.gov/tpuc> and check the Active Docket Index for Docket No. 17-00108 to keep up to date on the filings.

10/24/17

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