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

IN RE:)	
)	
PETITION OF TENNESSEE WATER)	
SERVICE FOR APPROVAL OF AN)	DOCKET NO. 17-00108
INTERIM EMERGENCY WILDFIRE)	
RESTORATION SURCHARGE,)	
INTERIM EMERGENCY WATER)	
SERVICE AVAILABILITY FEE, AND AN)	
INTERIM EMERGENCY)	
OPERATIONAL COST PASS-THROUGH)	
MECHANISM)	
)	

**REBUTTAL TESTIMONY
OF
RICHARD LINNEMAN, CRRA**

**ON BEHALF OF
TENNESSEE WATER SERVICE, INC.**

November 17, 2017

1 **Q. Please state your name and business address for the record.**

2 A. My name is Richard Linneman. I am employed as the Manager of Financial Planning
3 and Analysis for North Carolina and Tennessee at Utilities, Inc. My business address is
4 4944 Parkway Plaza Boulevard, Suite 375, Charlotte, North Carolina, 28217.

5 **Q. By whom are you employed and in what capacity?**

6 A. I have been employed with Utilities, Inc. ("UI") since October of 2015. Since that time, I
7 have been involved in several phases of rate-making in many regulatory jurisdictions, and
8 I have provided written and/or oral testimony before the North Carolina Utilities
9 Commission. My responsibilities include financial analysis of individual subsidiaries of
10 UI, preparation for rate applications, facilitation of regulatory audits, and the submission
11 of testimony and exhibits to support rate applications, as well as other tasks in the
12 management of the UI's financial planning. This includes coordinating reports and
13 filings, working with regulatory staff to make sure that all information produced address
14 the requirements or requests, and involves working with management in subsidiary
15 location to stay abreast of changes. Tennessee Water Service, Inc. ("TWS") is one of the
16 UI subsidiaries I oversee.

17 **Q. Have you previously provided pre-filed direct testimony in this proceeding?**

18 A. Yes I have.

19 **Q. What is the purpose of your rebuttal testimony?**

20 A. My rebuttal testimony will address a number of areas discussed in the pre-filed testimony
21 of Tennessee Attorney General's Office Consumer Protection and Advocacy Division

1 (“CPAD”) Witness David Dittmore relative to this proceeding. My rebuttal testimony is
2 divided into the following sections:

3 I. Addressing the Proposed Surcharges and Cost-Pass Through Mechanisms

4 II. Insurance, Accounting, and Customer Notice

5 III. General Rebuttal Issues

6 **Q. Are you sponsoring any rebuttal exhibits?**

7 A. Yes, attached as Exhibit A is the Initial Customer Notice sent by letter on September 25,
8 2017 to all customers as suggested by TPUC staff. Exhibit B is the Newspaper Notice
9 that was posted on October 24, 2017. Exhibit C is the Updated Customer Notice sent by
10 letter on November 3, 2017.

11 **Addressing the Proposed Surcharges**

12 **Q. CPAD Witness Dittmore, on pages 21 of his pre-filed testimony, states that TPUC**
13 **should deny the Wildfire Restoration Surcharge because there is uncertainty on the**
14 **cost of the projects and the recovery of a return on plant that is not in service**
15 **permits TWS to “double recover” its financing costs. Is he correct?**

16 A. To the extent that TWS is able to recover AFUDC in rate base, then, yes, TWS
17 essentially has the ability to earn on the capital projects that are in progress. However,
18 this does not address the fact that TWS would be unable to have an opportunity to earn a
19 fair and reasonable return on the capital once the project is complete and would have to
20 wait until its next rate case to begin earning a return. I believe one solution may be for
21 the Company to develop hard dates for the completion of the proposed projects and allow
22 these to be included (subject to a true-up) once the project is completed.

1 **Q. CPAD Witness Dittmore, on pages 25-27 of his pre-filed testimony, recommends**
2 **that TPUC reject the Water Service Availability Surcharge? What is your opinion**
3 **of his analysis on this issue?**

4 A. While Mr. Dittmore is correct in stating that existing active customers are paying rates
5 under TWS' current tariff, which provided for the ability to earn an authorized rate of
6 return on the assets that were used and useful at the time of the last rate case, it is also
7 true that the rates set in the prior rate case did not address the possible risk of losing 90%
8 of the Company's revenue base due to an unforeseen natural disaster. If such a
9 consideration had been taken into account at the time, the rate of return should have been
10 higher. The Water Availability Surcharge is a mechanism to address an unforeseen risk
11 that was not contemplated during the 2009 rate case.

12 **Q. CPAD Witness Dittmore, on pages 34-35 of his pre-filed testimony, recommend**
13 **that TPUC adopt the Pass-Through Mechanism with certain conditions. Do you**
14 **believe that his conditions are reasonable?**

15 A. Yes. Mr. Dittmore's proposed conditions and his accompanying exhibit modifying the
16 proposed tariff are agreeable to TWS. The biggest change that Mr. Dittmore has
17 proposed is changing the surcharge rate from a fixed rate to a volumetric rate. This
18 change makes sense, especially given his concern about cross-subsidies that may result if
19 a fixed rate is applied across all customers regardless of actual usage.

20 **Q. CPAD Witness Dittmore, on page 27-31 of his pre-filed testimony, discusses the**
21 **Make-Whole Surcharge. Do you agree with his analysis.**

22 A. No. Mr. Dittmore begins his analysis with a very basic flaw that I believe informs his
23 later opinion that the Make-Whole Surcharge is an attempt at retroactive ratemaking. Mr.

1 Dittemore assumes from TWS' use of the actual and predicted loss information for 2017
2 that TWS is attempting to recoup just 2017 losses. Instead, TWS has used the 2017
3 information as the basis by which to predict anticipated future losses and recover these
4 losses on a prospective basis.

5 **Q. Is this the only mistake in Mr. Dittemore's analysis of this surcharge?**

6 A. No. On page 28, Mr. Dittemore suggested that an 18-month timeline for the Make-
7 Whole Surcharge could result in an over-collection totaling \$108,000, 50% more than the
8 requested amount. Mr. Dittemore has failed to reconcile the fact that the surcharge was
9 originally discussed with CPAD as only being applicable for 12 months. At CPAD's
10 suggestion, this applicable time period was extended to 18 months. However, TWS did
11 not request additional losses. Instead, as reflected in TWS' proposed tariffs, the original
12 forecasted losses were changed to be calculated over an 18-month time period, lowering
13 the original monthly surcharge from \$14.26 to \$11.09.

14 **Q. Mr. Dittemore also states on page 29 that the deferral mechanism in Paragraph 18**
15 **of the Petition is a double-counting proposal. Is this correct?**

16 A. No. Paragraph 18 of the Petition was intended to capture actual losses in 2017 prior to
17 the final order on this Petition and allow TWS to accrue the expenses and address any
18 possible recovery of these losses in the Company's next general rate case. These are
19 losses that are not addressed by any of the recovery mechanisms proposed in the Petition
20 and, therefore, do not represent a double recovery.

21 **Q. What about the "RELOAD" concept discussed by Mr. Dittemore on page 30? Is he**
22 **correct that TWS customers may pay more for the Make-Whole Surcharge than is**
23 **being requested?**

1 A. Although the concept behind Mr. Dittmore's opinion may be correct, this speculative
2 concern should not be an issue because TWS has proposed a true-up mechanism that
3 would address the potential instance where there is an overcollection.

4 **Accounting, Insurance, and Customer Notice**

5 **Q. CPAD Witness Dittmore, on page 9 of his pre-filed testimony, states that TWS does**
6 **not use NARUC USOA for reporting services and is not in compliance with TPUC**
7 **Rule 1220-04-01-.11(g). Do you agree with this interpretation?**

8 A. No. I do not. Moreover, Mr. Dittmore's statement is, at best, his own legal
9 interpretation and at worst, an unsupported and improper legal conclusion. As TWS
10 stated in its Response to CPAD Request 2-4, TWS uses a JD Edwards accounting system
11 for its internal accounting. However, TWS is able to convert—and has already converted
12 for and transmitted to CPAD—accounts from the internal general ledger ("G/L") object
13 accounts being used to the NARUC USAO account listings. One of the key purposes of
14 the NARUC USOA is to prescribe accounting classifications to achieve uniform
15 accounting records. Because TWS is able to report its accounting information in the
16 same account listing categories as prescribed in the NARUC USOA, it is able to achieve
17 the desired uniformity.

18 **Q. CPAD Witness Dittmore, on pages 13-14 of his pre-filed testimony, states that it is**
19 **unclear why TWS has not filed property loss insurance claims. Can you clarify this**
20 **issue?**

21 A. Yes. First, there is no legal obligation for TWS to possess property loss insurance of any
22 amount under Tennessee law. It seems that CPAD is improperly implying that TWS
23 engaged in bad behavior by not possessing the "right" type and amount of insurance.

1 Second, as TWS explained in its Responses to CPAD Requests 1-16, 2-24, and informal
2 discovery, two of the assets damaged by the 2016 Wildfires were covered by the property
3 loss insurance carried by UI for TWS. These two assets were the well houses in the
4 Chalet Village water system. These assets had a collective value listed below TWS'
5 insurance deductible of \$50,000. Because of this, TWS did not file an insurance claim
6 related to these assets. Furthermore, all other assets damaged in the fire were uninsured
7 and were thus not subject to the potential filing of an insurance claim.

8 **Q. CPAD Witness Dittmore, on pages 11-13 of his pre-filed testimony, states that**
9 **TWS' customer notice is incomplete and may mislead customers. Do you agree with**
10 **Mr. Dittmore's view?**

11 A. No. I do not agree with Mr. Dittmore's assessment. TWS has taken extensive steps
12 beyond the requirement to post a notice in the newspaper to inform customers about this
13 filing. Exhibit A is the letter that TWS sent to customers on September 25, 2017, to
14 inform them of the filing of the petition and of the rate relief that was being requested.
15 Exhibit B is the Newspaper Notice that TWS posted in the Mountain Press, a local daily
16 newspaper that serves the Chalet Village area, on October 24, 2017, to update customers
17 about the new hearing date on December 12, 2017, and remind them of the rate changes
18 that had been requested. Exhibit C is an Updated Customer Notice sent by letter on
19 November 3, 2017 that reminded customers of the updated hearing date, explained a
20 reduction in the proposed surcharges, and reminded customers of how they could obtain
21 more information or make their opinion heard. These exhibits represent an extensive
22 effort on the part of TWS to ensure that their customers are aware of the Petition and how
23 it pertains to them. As well, TWS sent a "Voice Reach" message to the phones of its

1 customers and included the Updated Customer Notice information on the bills of their
2 customers. This comprehensive effort is clear evidence that TWS has taken all steps
3 possible to keep its customers informed and engaged.

4 **Q. Do you agree with Mr. Dittemore's suggestion that another notice be issued to TWS**
5 **customers to inform them that they can contact TWS to inform it of a change of**
6 **address or of their ability to terminate service with TWS?**

7 A. No. I do not agree with Mr. Dittemore's suggestion. While TWS remains open to any
8 instruction by TPUC regarding subsequent notices to customers, I believe the information
9 that Mr. Dittemore is suggesting is information that is fundamental to water service that
10 our customers already know. Starting and stopping an account with a water, electric, or
11 phone company, for example, is a common practice for an adult living in the United
12 States. It is unlikely that TWS' customers do not know that they can cancel an account
13 with a utility if, for instance, they sell their property to another party. I know of no one
14 who moves from their home but continues to pay the electric bills for the next family.
15 Therefore, this suggested additional notice is improper and unnecessary, especially given
16 the numerous notices that TWS has already provided to its customers.

17 **General Rebuttal Issues**

18 **Q. CPAD Witness Dittemore, on pages 11-13 of his pre-filed testimony, states that**
19 **TWS' financial condition was not impaired or has not suffered a material impact as**
20 **a result of the 2016 Wildfires. Is he correct?**

21 A. No. There are a few things I would like to point out that demonstrate a flaw in Mr.
22 Dittemore's opinion. First, any impact to a customer of TWS impacts TWS directly. To

1 suggest that 2016 Wildfires, which impacted the majority of TWS' customers, did not
2 material impact TWS is disingenuous at best.

3 Second, Mr. Dittemore appears to conclude that the 2016 Wildfires, which destroyed or
4 at least severely impaired the livability of 90% of TWS' customers' homes, had a
5 minimal impact on the Company because it had a minimal impact on UI. I understand
6 that Mr. Dittemore stated that the 2016 Wildfires did have a material impact on TWS'
7 financial condition, but he dismisses this material impact because he concludes that the
8 overall impact to UI, as one of the largest privately-owned water and wastewater utility
9 operators in the United States, is minimal. This basis is simply incorrect. It is entirely
10 inappropriate to shift the analysis of the financial impact of the 2016 Wildfires from TWS
11 to UI simply because of their parent-subsidary relationship.

12 The third flaw with Mr. Dittemore's opinion is that he concluded that TWS' financial
13 condition has not impaired its ability to provide adequate service to its customers. TWS
14 has a legal obligation to provide its customers safe and reliable drinking water. It has
15 done so to its own financial detriment, which is demonstrated by the financial
16 information it has submitted in this case showing monthly losses due to a severe revenue
17 shortfall. TWS cannot be expected to operate at a loss indefinitely without the customer
18 ultimately suffering. It is true that because of TWS' hard work and dedication to its
19 customers, it has been able to maintain safe and reliable drinking water for both its active
20 customers and for those who are attempting to return to the Chalet Village area by
21 turning on water for construction activity. However, the loss of the Upper Booster
22 Station that was completely destroyed in the 2016 Wildfires is very likely to cause a
23 problem in the near future. At least one customer has a home under construction near

1 that area and will be requesting water soon. In order to meet the customer's needs, the
2 Upper Booster Station, which is a part of TWS' petition, has to be replaced.

3 Furthermore, the current TWS tariff was based on an authorized rate of return that did not
4 take into consideration the possibility of losing 90% of the revenue base. Mr. Dittmore
5 seems to suggest that this risk should be shifted to the Company. If this is the Consumer
6 Advocate's position, then TWS should have had a much higher authorized rate of return
7 to account for the risk that the Company would have no ability to mitigate the financial
8 impact of a catastrophic event such as the 2016 Wildfires. The loss of TWS' revenue
9 base certainly is a unique circumstance in that it is not a short-term or normal event. The
10 negative financial impacts to the Company will continue well into the future because it
11 will likely take years to rebuild a significant portion of the customer base.

12 **Q. CPAD Witness Dittmore, on page 15 of his pre-filed testimony, states that TWS**
13 **customers are in a unique circumstance because of the personal and financial losses**
14 **suffered due to the 2016 Wildfires. Has TWS considered these circumstances in its**
15 **analysis?**

16 **A.** Absolutely. One of TWS' main priorities is ensuring that our customers are taken care
17 of, which is why we concern ourselves with ensuring that TWS can continue to provide
18 customers with safe, reliable drinking water. Beyond safe water, though, TWS reacted
19 voluntarily and immediately following the 2016 Wildfires and put a stop on all billing
20 until March 2017 in order to remove at least one concern from the lives of those who had
21 lost their homes. Furthermore, after billing resumed, TWS only billed those customers
22 who were actively using water. At this time, and according to its existing tariff, TWS
23 could have billed all of its customers who had service lines and connections run to their

1 homes or property but who were not actively using water because their home was
2 damaged, was under construction, or were otherwise not currently using their water the
3 fixed minimum monthly charge of \$18.70 that is included on all customer bills per TWS'
4 existing tariff. This is the group of people who TWS has referred to as "inactive
5 customers" because these persons are connected, or at least were, and have the ability to
6 be connected to the water system, but are simply not using their connection. These
7 persons have not canceled their service accounts or sold their property to anyone else. In
8 essence, these persons are like those who had vacation homes in Chalet Village and so
9 only resided in their homes some of the time. Of course, we recognize that no one that
10 was dislodged from their home due to the 2016 Wildfires was on anything they would
11 have thought of as a vacation. For these inactive customers, TWS remains able to turn
12 their water back on when requested, whether it is for construction purposes or because
13 the customer is ready to reoccupy the home. And despite maintaining this readiness,
14 which requires all of the maintenance as would be necessary if the customer was actually
15 using the water system, TWS has not charged its inactive customers anything for nearly a
16 year now. The surcharges in TWS' petition would represent a total of \$18.12 per month
17 going forward on a bill to an inactive customer, less than the fixed minimum monthly
18 charge in TWS' tariff of \$18.70. I believe TWS actions over the past year and its current
19 proposal in its Petition appropriately consider the unique circumstances present.

20 **Q. CPAD Witness Dittmore, on page 39 of his pre-filed testimony, criticizes the**
21 **change made by TWS to calculate the Wildfire Restoration and Water Availability**
22 **Surcharges based on an 18-month time period as opposed to a 12-month time**
23 **period. Do you agree with his analysis?**

1 A. TWS is willing to agree with Mr. Dittemore on this issue, and if the Wildfire Restoration
2 and Water Availability Surcharges are approved by TPUC, they can be on the terms
3 proposed in the Petition, which reflects a 12-month calculation. TWS' proposed tariffs
4 can be amended to reflect this change.

5 **Q. CPAD Witness Dittemore, on pages 40-41 of his pre-filed testimony, stated that he**
6 **believed the appropriate amortization period for the rate case expenses that TWS**
7 **will incur in this petition should be 10 years. Do you agree?**

8 A. No. I believe the Consumer Advocate has failed to provide a sufficient argument as to
9 why the rate case expenses in this Petition should be treated any differently than the rate
10 case expenses in prior cases, which is typically a 4-year amortization period.

11 **Q. Does this complete your testimony?**

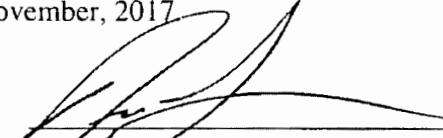
12 A. Yes, it does. However, I reserve the right to incorporate any new data that may
13 subsequently become available and to correct any issues later identified.

STATE OF North Carolina)

:SS

County of Mecklenburg)

DATED this 17th day of November, 2017


Richard Linneman

SUBSCRIBED AND SWORN TO before me this 17 day of November, 2017.



Notary Public for the State of North Carolina





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.

County: Sevier

Printed In: Mountain Press, The (Sevierville)

Printed On: 2017/10/24

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

Public Notice ID:



November 3, 2017

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On September 22, 2017, Tennessee Water Service, Inc. ("TWS"), 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.

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

- a. Interim Emergency Wildfire Restoration Surcharge - TWS has proposed that TPUC approve an Interim Emergency Wildfire Restoration Surcharge to be applied to all customer bills for capital costs related to damages sustained as a result of 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 \$2.52 each month for all customers.
- b. Interim Emergency Water Service Availability Surcharge - TWS has proposed that TPUC approve an Interim Emergency Water Service Availability Surcharge to all customer bills to allow TWS to recover costs for capital assets in place and currently serving the water system. The Water Service Surcharge would be an additional \$4.51 each month for all customers.
- c. Interim Emergency Make-Whole Surcharge - TWS has proposed that TPUC approve an Interim Emergency Make-Whole Surcharge to be applied only 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 \$11.09 each month for inactive customers.

In summary, the three surcharges would cause an active customer's average monthly bill to go from \$58.60 to \$65.63, and an inactive customer's average monthly bill would go from \$0.00 to \$18.12.

- d. Interim Emergency Operational Costs Pass-Through Mechanism - Finally, 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 prior approval from 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 has proposed that the interim period for which they are applicable be no more than 18 months from the date of TPUC's approval of this Petition.

In prior communications with customers, the amounts of the first three surcharges listed above were slightly higher because they were based on a 12-month calculation. The amounts listed here reflect a calculation of the monthly amount of each surcharge based on an 18-month interim emergency relief time period.

The hearing on the Petition will be conducted by TPUC on Tuesday, December 12, 2017, at 1:00pm (local time) at TPUC's offices located at 502 Deaderick Street, Nashville, Tennessee. You may appear in person at the hearing to either observe or testify.

Consistent with TPUC Rule 1220-04-01-05(2), you may learn more about the Petition (Docket No. 17-00108) by visiting www.tn.gov/tpuc and searching the "Active Docket Index" under the "Docket Room" drop-down menu. A complete copy of the proposed tariff changes and the reasons for them are on file with TPUC and are open to public inspection both online and at TPUC's office.

If you have any questions for TWS, please feel free to contact Customer Service at (800) 531-2321 or customerservice@uiwater.com.

If you have any questions for TPUC, please feel free to contact TPUC at (800) 342-8359 or contact.tpuc@tn.gov.

If you have any questions for the Consumer Protection and Advocate Division of the Attorney General's Office, please feel free to contact the office at (615) 741-1671.

Sincerely,

Tennessee Water Service, Inc.