

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

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

**FIRST DISCOVERY REQUEST
OF THE CONSUMER PROTECTION AND ADVOCATE DIVISION
TO TENNESSEE WATER SERVICE, INC.**

To: Ryan Freeman, Esq.
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This First Discovery Request is hereby served upon Tennessee Water Service, Inc.
(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, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Karen H. Stachowski, on or before 4:00 p.m. (CDT) October 9, 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.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.
2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.
3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and

information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.
5. The singular shall include the plural, and vice-versa, where appropriate.
6. **Definitions.**

- (a) "You," "Your," "Company," or "TWS" as used herein shall mean Tennessee Water Service, Inc. and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.
- (b) "Affiliate" shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, "control" is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term "Affiliate" shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding

sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an “affiliate” for purposes of this Discovery Request.

- (c) “Person” as used herein refers to any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.
- (d) “Communication” means any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.
- (e) “Document” as used herein shall have the broadest possible meaning under applicable law. “Document” as used herein means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was,

but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made?

(f) “Identify” with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address is available provide any address known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(g) “And” and “or” shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

(h) “Including” shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

- 1-1. Provide a listing of each TWS's affiliate performing any function for TWS, identifying the officers and board members of each such entity.

RESPONSE:

- 1-2. Regarding TWS's account referred to as **Acct No. 601 Salaries & Wages—Employees:** Provide supporting documentation and an explanation for the following balances:
- (a) The 2016 Annual Report submitted to TPUC in the amount of \$48,312;
 - (b) The Quarterly Report ending March 31, 2017 in the amount of \$2,190; and
 - (c) Provide a copy of the Quarterly TWS Report ending June 30, 2017.

RESPONSE:

- 1-3. Provide a copy of the current contracts or agreements of any type for purchased water and purchased power.

RESPONSE:

- 1-4. Explain why the total water pumped and purchased in December 2016 did not decrease in proportion to the decrease in the amount of water sold to customers? Specifically, Company Annual Report states 1,515 gallons of water were purchased in December 2016 (approximately the same for November 2016) and the water sold to customers was 430 in December 2016 (the number was 1,498 in November 2016). Provide any documentation to support your explanation. Note: Information is from the Company's 2016 Annual Report.

RESPONSE:

- 1-5. Does the company intend to make any changes to its existing tariff provisions regarding customer disconnect and reconnection charges? If so, what tariff changes are proposed?

RESPONSE:

- 1-6. Refer to Paragraph 16b of the Company's Petition for Emergency Relief which reads in part "(u)nder its current tariff, TWS customers are billed a fixed minimum charge of \$18.70 per month for 0 – 1000 gallons of usage." Further, in this same paragraph "(c)urrently, TWS is not charging those customers who have not reconnected to the drinking water system since the 2017 Wildfires and are thus inactive customers."

(a) Did the Company obtain authorization to violate its tariff and not bill customers?

(b) If yes, identify the authorizing authority.

(c) Is it the Company's position that its inactive customers are not responsible for the monthly \$18.70 minimum charge going forward?

(d) Is it the Company's position that its inactive customers are not responsible for the monthly \$18.70 minimum charge from the date such charges were suspended?

(e) If so, are these inactive customers subject to either a tap fee, reconnection charge upon their return as an active customer? If not (part d), is it TW's position that it may back-bill inactive customers the \$18.70 per month from March, 2017?

(f) How is the Company booking the loss in revenues from these customers?

(g) Provide copies of all communications with your customers regarding these inactive accounts including notification of their options regarding their financial responsibilities to the Company.

(h) Have you received written or oral customer complaints or inquiries regarding the position?

(i) If yes, provide the complaint or inquiry (or a summary if no written document is available) and your response.

RESPONSE:

- 1-7. Refer to Exhibit 1, Schedule 3 from the Commission's Order in the Company's last rate case (Docket # 09-00017) that established a value for Accumulated Depreciation of \$284,826. Next refer to the spreadsheet provided by TWS titled "TWS Data Request 8.21.17" and note that the July 2017 balance of Accumulated Depreciation is only \$84,865.
- (a) Explain this reduction in Accumulated Depreciation; and
- (b) Provide copies of the journal entries adjusting this balance since the last rate case.

RESPONSE:

- 1-8. Refer to the spreadsheet provided by TWS titled "TWS Data Request 8.21.17".
- Specifically refer to the "Financial Statements" tab of this spreadsheet and note the balance of \$-154,447 for July 2017 in cash working capital (Line 6). Identify the components of this amount for cash working capital.

RESPONSE:

- 1-9. Refer to the spreadsheet provided by TWS titled "TWS Data Request 8.21.17".
- Specifically refer to the "Financial Statements" tab of this spreadsheet and note the balance of \$203,196 for July 2017 in accumulated deferred income taxes (Line 9).
- Provide the underlying analysis identifying the cumulative book/tax timing differences that support this balance.

RESPONSE:

- 1-10. Refer to the spreadsheet provided by TWS titled "TWS Data Request 8.21.17".
- Specifically refer to the "Financial Statements" tab of this spreadsheet. Provide the

source and support for the depreciation and amortization expenses (Lines 42 and 43) that are included on this spreadsheet.

RESPONSE:

- 1-11. Refer to the spreadsheet provided by TWS titled “TWS Data Request 8.21.17”. Specifically refer to the “Financial Statements” tab of this spreadsheet. Provide a breakdown of the taxes other than income (TOTI) tax (Line 44) by type of tax that are included on this spreadsheet.

RESPONSE:

- 1-12. Refer to the spreadsheet provided by TWS titled “TWS Data Request 8.21.17”. Specifically refer to Column D (Obj Acct) of the “GL Data” tab of this spreadsheet. The accounts listed here do not appear to conform to the NARUC Uniform System of Accounts (USOA) for Water Utilities prescribed by the Tennessee Public Utility Commission for water utilities under their jurisdiction.
- (a) Has the Company adopted the NARUC USOA for Tennessee Water Service operations in Tennessee?
 - (b) If so, explain the deviations in the accounts used from what is prescribed.
 - (c) If not, explain the reasons for not adopting the NARUC USOA.
 - (d) What steps you are taking to conform these accounts to NARUC USOA for Water Utilities?

RESPONSE:

- 1-13. Refer to the spreadsheet provided by TWS titled “TWS Data Request 8.21.17”. Specifically refer to the “Financial Statements” tab of this spreadsheet and note the

customer counts from January 2015 through July 2017 at the bottom of this schedule.

Provide a monthly forecast for both active and inactive customers from August 2017 through December 2018 indicating how such estimates were derived.

RESPONSE:

- 1-14. Refer to the Financial Statement tab within the spreadsheet provided by TWS titled “TWS Data Request 8.21.17” for each of the expense accounts listed on this schedule, indicate whether these amounts are direct or allocated charges.

RESPONSE:

- 1-15. Provide all analytical support indicating the impact of the 2016 Wildfires on the financial position of Utilities Inc. This should include an analysis of the impact the 2017 financial results of TWS will have on meeting the debt covenants of Utilities Inc.

RESPONSE:

- 1-16. Provide an overview of the insurance policies for which TWS or any of its affiliates either: (a) have submitted a claim or (b) may submit a future claim regarding the 2016 Wildfires. This overview should include: the date(s) such claims have been filed under each policy, the anticipated insurance reimbursement for each policy, how such insurance reimbursements would be recorded on the books of TWS and the amount of deductible for each policy. If no such policies provide insurance coverage for (a) damages or (b) business interruption coverage, discuss whether TWS or Utilities Inc., or any other

affiliate intends to acquire such insurance to provide protection for similar events which may occur in the future.

RESPONSE:

1-17. Does TWS or any of its affiliates, including, but not limited to Utilities Inc., have business interruption insurance?

(a) If not, provide a discussion of whether such insurance purchase has been considered and any available support for the decision not to purchase such insurance.

(b) If so, provide the following:

- i. An overview of the insurance claim(s).
- ii. The timing of the claim(s), including whether it has been submitted. If such a claim has not been submitted, please identify the date that it is anticipated to be submitted.
- iii. Whether such insurance coverage is dependent upon a particular regulatory claim.
- iv. Provide a copy of the insurance policy(ies).
- v. The estimated reimbursement expected from the insurance coverage.

RESPONSE:

1-18. Provide a comprehensive discussion on the ability of TWS to access capital from its parent(s) as a result of the 2016 wildfires.

(a) Is TWS constrained in its access to capital necessary to make system improvements?

(b) If so, provide the analytical support to confirm this assertion.

RESPONSE:

1-19. With respect to any assets that have been written off as a result of the 2016 wildfires, provide a brief description of the asset, its original cost and the entry to record the write-off.

RESPONSE:

- 1-20. Provide a copy of all studies, analysis or summaries of the integrity of its system subsequent to the 2016 wildfires.

RESPONSE:

- 1-21. Provide a comprehensive discussion on the likelihood of future asset write-offs resulting from the 2016 wildfires.

RESPONSE:

- 1-22. Regarding customers that do not eventually return to their former properties, at what point in time does TWS believe it would be appropriate to consider the associated service lines no longer ‘used and useful’ for ratemaking purposes?

RESPONSE:

- 1-23. Paragraph 14 of the Company’s Petition indicates that TWS was in the process of implementing a number of capital system improvements prior to the 2016 Wildfires.
- (a) Identify the previously planned projects, their associated costs and in-service dates.
 - (b) Discuss why such project costs unrelated to the 2016 Wildfires should be incorporated into emergency rate relief that purportedly is due to the 2016 Wildfires?

RESPONSE:

- 1-24. Mr. Mendenhall’s testimony indicates four projects are in ‘Proposed’ status totaling \$250,000. On page 4 of his testimony he indicates that the “Well No. 1 Booster Station”

is among the projects "...in various stages of completion." What is the anticipated in-service date of this project and has construction actually begun?

RESPONSE:

1-25. Explain why the Company's Cash Working Capital as balance of (\$84,483) March, 2017 was not included as a rate base offset when developing the proposed Service Availability Fee?

RESPONSE:

1-26. The Company's Petition on page 6 indicates that the Interim Emergency Water Service Availability Surcharge "...reflect both the capital assets in place and the projected revenue shortfall for TWS on expenses." Confirm that in fact this surcharge is calculated to provide a return on net rate base and does not incorporate a recovery of 'expenses' as referenced in the Petition.

RESPONSE:

1-27. Confirm that in theory existing base rates are designed to provide a return on existing rate base.

RESPONSE:

1-28. Confirm that the O&M make whole provision is premised upon actual and forecasted 2017 results and do not reflect any potential shortfalls forecasted for 2018.

RESPONSE:

1-29. TWS proposes that the surcharges remain in effect for eighteen months. Given that your proposed O&M Make-Whole surcharge is calculated to recover the shortfall in 2017, why should the denominator used in the surcharge calculation not be eighteen months rather than twelve months as used by TWS?

RESPONSE:

1-30. If the surcharges are approved, does TWS plan to require a true-up provision for each of the requested revenue streams?

RESPONSE:

1-31. If the O&M Make Whole Provision is approved, does TWS intend to request a similar make-whole calculation associated with 2018 results?

RESPONSE:

1-32. Have any portion of the underlying financial data of TWS included within the Petition been subject to review/audit by an independent audit firm? If so, identify the portion and the accounting firm.

RESPONSE:

1-33. Provide a copy of the Financial Statement for Utilities Inc. for the most recently completed financial reporting year.

RESPONSE:

1-34. Provide a forecast of 2018 revenues and operating expenses by month and identify assumptions relied upon in compiling the forecast.

RESPONSE:

1-35. Provide an example of the monthly accounting entries that would be used to record the following transactions associated with the Make-Whole surcharge request:

- (a) Initial entry to reverse 2017 losses (assume \$72k);
- (b) Monthly entry to record surcharge collections (assume a 12-month recovery period, with no uncollectable expense); and
- (c) Monthly entry to record surcharge collections (assume a 12-month recovery period, with 50% uncollectible expense).

RESPONSE:

1-36. Describe the accounting and proposed regulatory treatment associated with legal fees incurred associated with this docket. Include in your response an estimate of such costs through the anticipated conclusion of this Docket.

RESPONSE:

1-37. Confirm that the Make-Whole surcharge request is calculated to collect a surcharge (rate) for a combination of actual 2017 losses and forecasted 2017 losses. If this is not accurate, explain how the surcharge is computed.

RESPONSE:

1-38. Provide a copy of the most recent annual financial statement of Corix Utilities.

RESPONSE:

1-39. Identify all Corix entities that provide the underlying financing for TWS operations and capital expenditures. Does Utilities Inc. issue its own debt?

(a) If so, provide a copy of all debt agreements underlying the financing supporting the capital expenditures of TWS.

(b) If not, provide the debt agreements of Corix or any TWS affiliate that provides financing supporting TWS capital expenditures.

RESPONSE:

1-40. In the event a customer contacts TWS to cancel service, is it the intent of TWS to continue billing the surcharges to the landowner through the termination period of the surcharge?

RESPONSE:

1-41. Provide your definition of 'inactive customer'.

RESPONSE:

1-42. Provide proposed tariffs supporting the requested surcharges contained in the Petition.

RESPONSE:

1-43. Is it the position of TWS that subsequent to the approval of tariffs in this docket that all landowners in the TWS territory will be classified as either active or inactive?

RESPONSE:

- 1-44. Provide the number of customers who have cancelled service by month from January 1, 2017 through September 30, 2017 and indicate whether such customers counts have been included within the number of inactive customers as shown in the file titled "TWS surcharge workpaper 8 21 17".

RESPONSE:

- 1-45. Identify the costs and provide a description of all capital projects closed and placed in service for the period January 1, 2017 through September 30, 2017.

RESPONSE:

- 1-46. Identify each person who you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;

- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, work papers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

1-47. Identify all persons having knowledge of discoverable matters in this case.

RESPONSE:

1-48. Produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

1-49. Produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

RESPONSE:

1-50. Produce copies of all documents -- including, without limitation, work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

1-51. Identify all information, documents and things filed in the present docket record, including all responses to discovery of the parties and data request from the TPUC Staff, which the Company produced in this docket and does not agree to stipulate to the authenticity of such information, documents and things in this proceeding. For each separate piece of information, documents and things which the Company produced in this docket and contends is not admissible as evidence describe in specific detail any objection(s) it claims as to admissibility into the evidentiary record in this docket.

RESPONSE:

RESPECTFULLY SUBMITTED,



KAREN H. STACHOWSKI (BPR #019607)
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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:

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This the 5th day of October 2017.

Karen H. Stachowski
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