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

**RE: Petition of Tennessee Water Service, Inc. for Approval of an Interim
Emergency Wildfire Restoration Surcharge, Interim Emergency Water
Service Availability Surcharge, Interim Emergency Make-Whole Surcharge,
and an Interim Emergency Operation Cost Pass-Through Mechanism,
TPUC Docket No. 17-00108**

Ms. Dillon,

Attached for filing please find *Tennessee Water Service, Inc.'s Responses to First
Discovery Requests of the Consumer Protection and Advocate Division* in the above-captioned
matter.

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

Very truly yours,

BAKER, DONELSON, BEARMAN, CALDWELL
& BERKOWITZ, PC
s/ Ryan Freeman

Ryan Freeman

Enclosures

cc: Matthew Klein, President, Tennessee Water Service, Inc.

Karen Stachowski, Assistant Attorney General, Consumer Protections and Advocate
Division

4844-1737-2753 v3
2934653-000001 10/09/2017

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: Bryce Mendenhall

Question:

- 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:

TWS does not have any affiliate performing functions for it.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

- 1-2. Regarding TWS's account referred to as **Acct No. 601 Salaries and 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:

- (a) See attached Exhibit 1-2.
- (b) See attached Exhibit 1-2.
- (c) See attached Exhibit 1-2c.

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Responsible Witness: Bryce Mendenhall

Question:

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

Response:

TWS does not have a contract with either the City of Gatlinburg or its power company. TWS is recognized for purchasing its water and power as a regular customer and therefore pays rates based on the current adopted values of the local government.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Bryce Mendenhall

Question:

- 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 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:

Billed consumption to customers decreased approximately 71% from November 2016 to December 2016 while purchased/pumped water to the system decreased approximately 36% during the same period.¹ TWS believes that the basis for the discrepancy is water losses (i.e., real losses) due to assets damaged by the 2016 Wildfires.

Numerous water system assets were damaged due to the 2016 Wildfires, including but not limited to fire hydrants, individual water service lines, and water meters. Each of these damaged assets likely contributed to water losses in the system until such time that the loss could be identified and mitigated. To that end, the actual water loss ratio² directly after the fire was approximately 68%. The ratio has been drastically reduced to approximately 38% with the most current billing. This improvement in water loss is attributed to mitigation of leaks within the water system associated with the damage from the wildfires. This can also be attributed to decreased pumping operations resulting from reduced consumption based on actual customer counts.

Below is a chart reflecting the usage values received directly from the City of Gatlinburg that represent the purchased water volumes for Chalet Village for the months in question.

¹ The exact time periods for these billing months is detailed on the chart on the following page.

² Water loss ratio is defined as the volume of purchased/pumped water compared to billed consumption.

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Water Consumption/Billing for Chalet Village									
Date	Purchased	Pumped	Total		Billed Consumption	Difference			
Nov-16	1,734,700	425,000	2,159,700		1,498,589	661,111			
Dec-16	954,500	410,300	1,364,800		430,916	933,884			
**Nov purchased water is based on consumption between the dates of 10/18/16 and 11/18/2016 **Dec purchased water is based on consumption between the dates of 11/18/16 and 12/18/2016 **Pumped totals are based on activity from the 1st of each month to the last day of the month and do not correspond with the purchased billing activity									

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Matthew Klein

Question:

- 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:

At this time, TWS is still in the processing of considering whether any changes need to be made to the existing tariff. However, TWS intends to make any changes deemed necessary by the TPUC.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

- (a) TWS objects to this request insofar as it calls for a legal conclusion regarding TWS' actions to not bill customer service accounts on properties which (a) had been destroyed by the 2016 Wildfires; (b) have not yet rebuilt; and (c) not reconnected to the water system. To the extent that this request seeks to determine whether TWS communicated with the TPUC or the TPUC Staff regarding this action, TWS represents that it did inform TPUC of its billing

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practices and its decision not to bill the base charges of \$18.70 to inactive customers following the 2016 Wildfires.

- (b) See answer to subpart (a).
- (c) It is TWS' position that if the emergency surcharges are approved, inactive customers would not be responsible for the \$18.70 base charge going forward.
- (d) It is TWS' position that the inactive customers are not responsible for the \$18.70 base charge for the time period since billing was suspended.
- (e) At this time, TWS has no intention of charging a reconnection fee for inactive customers.
- (f) TWS is not currently booking an entry as it relates to lost revenue. The Company is currently taking a loss on these revenues.
- (g) TWS submits that there is nothing responsive to this request.
- (h) No customer complaints have been lodged with TWS regarding inactive accounts.
- (i) This subpart requires no response.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

- (a) Please see attached Exhibit 1-7.
- (b) Please see attached Exhibit 1-7.

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Responsible Witness: Richard Linneman

Question:

- 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:

Please see attached Exhibit 1-8.

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Responsible Witness: Richard Linneman

Question:

- 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:

Please see attached Exhibit 1-9.

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Responsible Witness: Richard Linneman

Question:

- 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:

Please see attached Exhibit 1-10.

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Responsible Witness: Richard Linneman

Question:

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:

Please see attached Exhibit 1-11.

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Responsible Witness: Richard Linneman

Question:

- 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:

- (a) TWS does not use the NARUC USOA for reporting services because it uses a JD Edwards accounting system.
- (b) See answer to subpart (a).
- (c) The JD Edwards accounting system used by TWS requires a 4-digit G/L code, which is incompatible with NARUC USOA. However, TWS submits Exhibit 1-12 for a mapping of its internal G/L object accounts to NARUC USOA.
- (d) TWS is unable to take steps toward adopting NARUC USOA for accounting and reporting purposes due to the requirements of the accounting system.

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Responsible Witness: Richard Linneman

Question:

- 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:

Please see attached Exhibit 1-13.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness:

Question:

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:

Please see attached Exhibit 1-14.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

- 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:

TWS submits that the attached Exhibit 1-15 represents its full analysis on this question. It is the Company's belief that the results for TWS will have no impact on meeting the debt covenants of Utilities, Inc.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Matthew Klein

Question:

- 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:

TWS objects to this discovery request to the extent that it is still considering claim options and may submit a claim in the future. However, at the current time, TWS has not submitted an insurance claim “regarding the 2016 Wildfires.” Because the damage sustained due to the 2016 Wildfires on TWS’ assets was inflicted upon either uninsured assets or to assets with collective values listed below TWS’ insurance deductible of \$50,000, at this juncture TWS does not intend to file an insurance claim related to the 2016 Wildfires.

The uninsured assets include (1) 100,000 gallon reservoir tank; (2) 10,000 gallon reservoir tank; (3) the Upper Booster Station located on top of the 100,000 gallon reservoir tank; and (4) pipes, hydrants, meters, service lines, and the interconnect with the City of Gatlinburg. The assets with values listed below TWS’ insurance deductible standard include (1) the Clubhouse Well and Booster Pump; and (2) the Upper Well House.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Matthew Klein

Question:

- 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:

TWS does not have any business interruption insurance.

- (a) To the extent that “business interruption” insurance has been considered by TWS or Utilities, Inc., TWS is unable to locate any “available support” for the decision not to purchase such insurance, assuming such “support” or documents exist.
- (b) N/A

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

- (a) TWS is constrained in its access to capital from its parent company based on an approved capital spending budget level. However, in special circumstances or emergencies TWS does have the ability to request additional capital above and beyond the original approved budget from the parent company. In no way does this guarantee the additional capital will be granted but the ability to request is available.
- (b) TWS represents that there is no analytical support present because the only constraint is an internal budget constraint.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

- 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 writeoff.

Response:

As of July 2017, TWS has not written off any assets. TWS is in the process of working to determine what the correct write-off amount should be, if any. It is TWS' belief that the assets were destroyed because of the 2016 Wildfires.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Bryce Mendenhall

Question:

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

Response:

See attached Exhibits 1-20a (Fire Damage Repair Proposal) (marked confidential), 1-20b (Chalet Village Tank 1 Inspection Report), and 1-20c (Chalet Village Tank 2 Inspection Report). As well, in addition to the professional observations of TWS' operational staff, please see the photos of damage sustained from the 2016 Wildfires attached to the Company's emergency petition as Exhibit D.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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

Response:

TWS objects to this discovery request due its speculative nature and submits that its answer may be subject to change based upon TWS' continuing analysis. However, insofar as it has currently analyzed this issue, TWS submits that it believes that it is very likely that there will be write-offs once it determines the accurate value of the assets that need to be written off. Should there be a write-off that TWS deems necessary, it anticipates that such a write-off would be completed in October 2017.

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Responsible Witness: Matthew Klein

Question:

- 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:

TWS objects to this discovery request to the extent that it calls for a legal conclusion regarding a ratemaking determination (i.e., what qualifies as “used and useful”) that is subject to the decision of TPUC and submits that it will rely on TPUC for making the determination referenced herein.

TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Bryce Mendenhall

Question:

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:

- (a) See below the list of projects.

<u>Project Name</u>	<u>Project Status</u>	<u>Total Projected Cost</u>	<u>Current Spend</u>	<u>Remaining Spend</u>
Emergency System Activation	Completed	-	\$47,398	-
Gatlinburg Water Interconnect Repair	Completed	-	\$2,091	-
Meter Replacements	In progress	unknown	\$5,838	unknown
Water Distribution System Repairs/Valve Replacements	In progress	unknown	\$41,739	unknown
Service Line Replacements	In progress	unknown	\$14,739	unknown
Fire Hydrant Replacements	In progress	unknown	\$67,156	unknown
Well No. 1 Booster Station Replacement	Proposed	\$125,000	-	\$125,000
Upper Booster Station Replacement	Proposed	\$30,000	-	\$30,000
Upper Storage Reservoir	Proposed	\$45,000	-	\$45,000

TENNESSEE WATER SERVICE, INC.
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Reconditioning				
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- (b) TWS submits that the projects listed above are related to or were otherwise damaged because of the 2016 Wildfires.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Bryce Mendenhall

Question:

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:

Construction of Well No.1 Booster Station has not yet commenced. Currently, TWS has temporary stand-by power attached to the station to provide minimum operation. The anticipated in-service date of this project is unknown.

TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

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:

TWS represents that this was an oversight in the original rate modeling and will correct this as requested to calculate a final approved tariff.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

The Interim Emergency Water Service Availability Surcharge is calculated only to provide a return on net rate base. The Interim Emergency O&M Make Whole Surcharge is the mechanism to recover revenue shortfall.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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

Response:

TWS confirms that it agrees with this theory.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

This assumption is correct. The O&M Make Whole Surcharge provision only applies to projected 2017 revenue shortfalls.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

TWS first notes that its emergency petition requests relief that lasts no longer than eighteen months. The eighteen month period was the time period suggested by TPUC staff (at an initial informal meeting) after TWS proposed a twelve-month period. The Company believes that twelve months is likely a more reasonable period and that is the reason twelve months was used in the surcharge calculation. TWS remains willing to adjust this calculation once the appropriate time period has been approved by TPUC.

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Responsible Witness: Richard Linneman

Question:

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

Response:

Yes, as approved by TPUC.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

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:

TWS submits that it may be advisable to have an adjustment for the 2018 results to the O&M Make Whole Surcharge payment on a quarterly or semi-annual basis in 2018. The Company believes this approach may limit the potential for any over-collection or under-collection by TWS.

TENNESSEE WATER SERVICE, INC.
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Responsible Witness: Richard Linneman

Question:

- 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:

Yes. All of the underlying financial data is audited on an annual basis by Ernst & Young. The last set of data used in the rate modeling that was audited were the 2016 results.

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Responsible Witness: Richard Linneman

Question:

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

Response:

Please see attached Exhibit 1-33, which has been marked confidential.

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FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

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

Response:

TWS objects to this discovery request to the insofar as it requests information that is speculative in nature and unable to be know with absolute certainty at this time. In light of this objection, TWS specifically notes that the numbers in its attached Exhibit 1-34 reflect a budget that is currently under review and has not yet been approved. This information is subject to additional adjustments until final approval.

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

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:

- (a) Please see attached Exhibit 1-35.
- (b) Please see Exhibit 1-35.
- (c) TWS objects to this discovery response insofar as it does not believe that it would experience a bad debt rate of 50% and therefore does not have any intention of booking an entry with such an uncollectible ratio. The current uncollectible ratio for the Company is less than 1%.

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: Richard Linneman

Question:

- 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:

The legal, travel, and internal labor costs associated with this emergency petition will be booked as total rate case expense and will be treated as a deferred charge on the balance sheet as a part of rate base and will be amortized over 3 years unless TPUC suggests a different amortization period. At this time, the Company is estimating it will incur \$50k in costs associated with this emergency petition.

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

- 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:

TWS confirms that this is correct.

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

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

Response:

TWS objects to the this discovery request as it greatly exceeds the scope of this hearing, is unduly burdensome, and is unlikely to lead to the discovery of relevant evidence.

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

- 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:

- (a) Utilities, Inc. issues its own debt and the current credit agreement is attached as Exhibit 1-39. This Exhibit is to be treated as confidential in nature
- (b) N/A

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: Matthew Klein

Question:

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:

TWS objects to this response to the extent that it assume facts not in evidence and is unclear. Notwithstanding this objection, TWS will attempt to respond. As the Company understands this question, it believes the question assumes that if the emergency petition is approved, and if TWS then began to bill customers according to the approved surcharges (assuming this means any one or all of the surcharges), and if a customer then contacted TWS to cancel service, would TWS continue to bill the customer (who is no longer a customer) the approved surcharges? To the extent that this is a correct framing of the question, TWS represents that it will not continue to bill a customer after such time that a customer cancels his/her service account with TWS, although due to the assumptions being made about the hypothetical circumstance and without knowing what TPUC will ultimately approve, TWS reserves the right to modify this response accordingly.

TENNESSEE WATER SERVICE, INC.
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FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

1-41. Provide your definition of “inactive customer”.

Response:

The Company defines an “inactive customer” as 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

TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
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Responsible Witness: Richard Linneman

Question:

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

Response:

TWS will provide proposed tariffs as necessary or as directed by TPUC.

TENNESSEE WATER SERVICE, INC.
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FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Richard Linneman

Question:

- 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:

It is the Company's position that all landowners must be classified as either active or inactive should these emergency surcharges be approved.

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CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: Richard Linneman

Question:

- 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:

TWS represents that six (6) customers have cancelled their service between January 1 and September 30, 2017. One of the six customers who had cancelled service in the referenced time period was included within the number of inactive customers in the above-referenced file. However, this customer's inclusion occurred because the customer only stopped service on the account on September 28, 2017, after the date the file was created.

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CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: Bryce Mendenhall

Question:

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:

The following capital projects were completed and closed during the above-mentioned time period:

- (1) Emergency System Activation - all necessary capital projects to ensure the operation of the TWS water system following the 2016 Wildfires and the damages sustained therein. Total Cost - \$47,398.
- (2) Gatlinburg Water Interconnect Repair - capital cost associated with repair water interconnect with the City of Gatlinburg. Total Cost - \$2,091.

TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: N/A

Question:

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:

TWS does not intend to call any expert witnesses at the hearing on the merits in this docket.

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TENNESSEE WATER SERVICE, INC.
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FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION
Responsible Witness: N/A

Question:

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

Response:

TWS objects to this discovery request on the basis that it is vague, unduly burdensome, speculative, and will not likely lead to the discovery of admissible evidence. Specifically, TWS objects to the terms “all persons” and “having knowledge of” as this could be virtually anyone and, more importantly, TWS does not know what “all persons” might know about discoverable matters in this case. Notwithstanding said objection, see below a list of persons having knowledge of discoverable matters in this case:

- Matthew Klein, President, Tennessee Water Service, Inc.
- Bryce Mendenhall, Vice-President, Tennessee Water Service, Inc.
- Richard Linneman, Finance, Planning & Analysis Manager, Tennessee Water Service, Inc.
- Tony Konsul, Regional Manager, Tennessee Water Service, Inc.
- Gary Peacock, Area Manager, Tennessee Water Service, Inc.
- Linda Schnaufer, Director of Customer Service, Utilities, Inc.
- Karen Sasic, Director of Billing & Regulatory Relations, Utilities, Inc.
- Jordon Novak, Administrative Services Director, Utilities, Inc.
- Jim Andrejko, Controller, Utilities, Inc.
- Anthony Gray, Senior Regulatory and Financial Analyst, Utilities, Inc.

TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: N/A

Question:

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

Response:

There are no additional documents outside of those referenced within these responses that are responsive to this request.

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

Responsible Witness: N/A

Question:

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:

Currently, TWS does not intend to introduce any hearing exhibits at the hearing on the merits, but the Company reserves the right to supplement this response as it prepares for the upcoming hearing.

TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION

Responsible Witness: N/A

Question:

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:

TWS represents that there are no additional documents there were relied upon by an of its witness in the evaluating, concluding, or formulating an opinion on this matter.

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

Responsible Witness: N/A

Question:

- 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:

TWS represents that this request requires no response. The Company attests to the authenticity of the information and documents it has provided.

**TENNESSEE WATER SERVICE, INC.
DOCKET NO. 17-00108
FIRST DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION**

RESPECTFULLY SUBMITTED,

s/ Ryan Freeman

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TENNESSEE WATER SERVICE, INC.
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CONSUMER PROTECTION AND ADVOCATE DIVISION
CERTIFICATE OF SERVICE

I hereby certify that on October 9, 2017, a true and correct copy of the foregoing Responses to First Discovery Request of the Consumer Protection and Advocate Division was served by electronic mail upon the following:

Karen Stachowski, Assistant Attorney General
Office of the Attorney General & Reporter,
Consumer Protection and Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207

s/ Ryan Freeman
Ryan Freeman