

STATE OF TENNESSEE

Office of the Attorney General



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Re: Tennessee Public Utility Commission, Docket No. 17-00108, *Petition of Tennessee Water Service for Approval of an Interim Emergency Wildfire Restoration Surcharge, Interim Emergency Water Service Availability Fee, Interim Emergency Make-Whole Surcharge and an Interim Emergency Operational Cost Pass-Through Mechanism*

Dear Mr. Freeman:

The Consumer Advocate is seeking clarification on a number of Tennessee Water's responses to the Consumer Advocate's discovery requests.

- **Request 1-1.** Tennessee Water (TWS) states that it has no affiliate performing functions for it, however in its response to Request 1-14, Tennessee Water identifies expenses that were allocated charges. Additionally, in its response to Request 1-47, Tennessee Water identifies a number of Utilities, Inc. employees have knowledge of discoverable materials in this matter. Is it Tennessee Water's contention that Utilities, Inc. (UI) is not an affiliate of Tennessee Water? Please refer to page 3, Section 6.(b) for the definition of "affiliate" for purposes of the Consumer Advocate's Discovery Request.
- **Request 1-12.** Tennessee Water states it does not utilize the "NARUC USOA for reporting services because it uses a JD Edwards accounting system." Pursuant to Tenn. Code Ann. § 65-4-111, the Tennessee Public Utility Commission (TPUC) identified the Uniform System of Accounts as adopted and amended by the National Association for Railroad and Utility Commissioners as the system of accounting to be followed by

utilities under its authority. Water companies are specifically set out in TPUC Rule 1220-04-01.11(g). Has Tennessee Water previously informed TPUC that it would not utilize the required system of accounting? If so, what was TPUC's response to this notification?

- **Request 1-17.** Tennessee Water states that "TWS does not have any business interruption insurance." However, the Consumer Advocate's request was whether "TWS or any of its affiliates, including but not limited to Utilities, Inc. carry Business Interruption insurance." Does UI, or any Tennessee Water affiliate carry Business Interruption insurance?
- **Request 1-18.** Tennessee Water states that "TWS has the ability to request additional capital above and beyond the original approved budget from its parent company." Has Tennessee Water made a request for additional capital?
- **Request 1-21.** Tennessee Water states that "it anticipates that such a write-off [resulting from the 2016 wildfires] would be completed in October 2017." Do you have a specific date when this write-off would be complete?
- **Request 1-23.** In this request, the Consumer Advocate is seeking information on capital system improvement projects planned prior to the 2016 Wildfire and why such costs, unrelated to the wildfire, should be incorporated into the emergency rate relief.
  - Specifically in subsection (a), the Consumer Advocate requested the identification of capital system improvements previously planned prior the 2016 wildfires. In discussions with Tennessee Water, it was the Consumer Advocate's understanding that the Gatlinburg Water Interconnect Repair was necessary because of the damage caused by the wildfire. However the presence of this project on the list means Tennessee Water has identified it as a capital system improvement that was in the process of being implemented prior to the 2016 wildfire. Is it correct that the Gatlinburg Water Interconnect Repair was a capital system improvement project planned prior to the 2016 wildfire? If not, please explain its presence on this list. If it should not be on this list, update your response to reflect this correction. Additionally, if there are other such projects that should be removed from this list (because they were not previously planned), please correct your project list accordingly and submit it to the Consumer Advocate.
  - Tennessee Water's response to subsection (b) is a simple conclusory statement without any explanation or discussion on why previously planned capital improvement projects should be included in the emergency rate relief. The Consumer Advocate requests that Tennessee Water provide a full and complete explanation. For example, does the Fire Hydrant Replacements project simply replace fire hydrants damaged by the 2016 wildfire or does it include the cost of additional hydrants that did not exist<sup>1</sup> prior to the wildfire? If the cost of the project includes additional fire hydrants, explain why the emergency rate relief should include this expense rather than Tennessee Water addressing the additional capital expenses in the next rate case. Another example, does the Upper Storage Reservoir Reconditioning project include one or both of the ground storage tanks

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<sup>1</sup> It has been reported that Tennessee Water has added ten more fire hydrants to the development than existed prior to the wildfire. See <http://wkcrn.com/2017/10/05/some-wildfire-survivors-homeowners-could-see-utility-rate-hike/>

identified by Tennessee Water as not damaged by the wildfire?<sup>2</sup> Again, if the cost of the project includes recoating inside and outside of storage tanks not damaged by the wildfire, explain why the emergency rate relief should include this expense rather than Tennessee Water addressing the additional capital expenses in the next rate case.

Thank you for your time and attention to this request for clarification. If you have any questions, please feel free to reach out to me.

Sincerely,



Karen H. Stachowski  
Assistant Attorney General

cc: TPUC Docket No. 17-00108

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<sup>2</sup> Exhibit E to the *Petition for Emergency Relief*. Tennessee Water stated to TPUC staff that the ground storage tanks were not damaged by fire but that Tennessee Water intended to recoat the inside and outside of the tanks.