

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

IN RE:)	
)	
PETITION OF TENNESSEE)	
WASTEWATER SYSTEMS, INC., TO)	DOCKET NO. 18-00107
AMEND ITS CERTIFICATE OF)	
CONVENIENCE AND NECESSITY)	

TWSI's RESPONSE TO TPUC's FIRST DATA REQUEST

Tennessee Wastewater Systems, Inc. ("TWSI") files this response to the Tennessee Public Utility Commission's data request:

1. Please provide a detailed map of the area, including:
 - a) The layout of the 57 lot subdivision;
 - b) Any other proposed structures to be serviced by the utility;
 - c) A clearly marked border of the proposed service for the CCN;
 - d) Clearly identified street names;
 - e) Clearly identified access roads to the utility;
 - f) Location of the 19,000 GPD treatment plant and clearly marked land that will be deeded to TWSI where the treatment plant will reside;
 - g) Location of pre-application treatment facilities;
 - h) A marked dotted line for the collection infrastructure;
 - i) Clearly marked building(s) for equipment;
 - j) Location of the 4.56 acre drip field(s), disposal fields and/or wetland cells for the wastewater system, clearly marking the land that will be deeded to TWSI; and
 - k) Identify any areas within the proposed area that will not be serviced when the system becomes operational.

RESPONSE: The Warrioto Hills development is located on an undeveloped piece of property so the map provided with the Petition as Exhibit B, accurately reflects the location and all roads currently in the immediate vicinity. For a map that addresses the information and detail sought in this request, please see Exhibit C, Page 18 of the Petition.

2. State the capacity of the wastewater system that is being built.

RESPONSE: The capacity of the wastewater system will be 17,100 gpd.

3. Please provide a copy of the most recent signed TDEC permit application and explain any differences within that application as to the size of the system (this Petition is for a system providing 43,000 GPD; however, support was provided for 57 residential lots and a total of 17,100 GPD).

RESPONSE: See Exhibit C to the Petition which is the SOP application. Presently the developer plans to develop 57 residential lots. The treatment system is designed to handle those flows only. The developer has expressed interest, at some point in the future, of possibly expanding the subdivision and adding additional lots. To this end, he has enough soils to handle 43,000 gpd of flow and sought TDEC approval of these soils. However, since he is currently developing 57 lots, TDEC will only approve soils to serve those 57 lots, which amounts to 17,100 gpd. See attached Exhibit 1 for TDEC meeting notes on this issue.

4. Provide the plans for the wastewater system, the engineering report/preliminary and/or final, design report(s), prepared plat design, soil survey, etc. that TWSI provided to TDEC.

RESPONSE: See Exhibit C of the Petition which is the SOP Application and Engineering Report provided to TDEC. Any modification or supplemental information to the application requested or required by TDEC will be filed in this docket when submitted to TDEC.

5. Provide a copy of the signed Sewer Service Agreement negotiated by Riverland Partners, Atkins, LLC, Providence Builders and TWSI. In addition, provide any and all contracts or agreements between the builder(s) of the treatment and/or collection system, the utility, and the property and/or subdivision developer that show entitlement or ownership to the land being transferred to the utility, system specifications, costs for the wastewater system, timeline for the system to be built, and rights to the system once it is completed.

RESPONSE: The LOU is the only signed agreement between the developer and the utility at this point. At the early stages of the development process, developers need to know whether sewer will be available to their property. They are not in a position to execute the Service Agreement because they do not know whether they have a viable project. TWSI uses LOU's to lay out the general terms under which sewer will be provided and the developer relies on the LOU for their planning and dealings with various governmental agencies from whom they must get approvals before moving their projects forward. TWSI seeks a CCN at this stage because the developer needs the assurance that sewer service will be available to the property at an early stage of the development process and TWSI needs to know if it will be permitted by the Commission to provide that service.

Sewer contracts are not typically executed until the sewer system is complete and accepted by the utility (and the utility has been granted the CCN to serve the territory).

Attached as Exhibit 2 is a letter from the developer stating that the land for the sewer plant and drip fields will be conveyed to the utility at the time the lots are platted. The LOU which is Exhibit J to the Petition, at Paragraph 13, addresses conveyance of the system to the utility. The transfer of the land and system and the documents conveying the land and system to the utility are more fully addressed and provided for in the Sewer Service Agreement.

A budget for the system was supplied with the Petition as Exhibit E. The system should take 12-16 weeks to construct.

6. Provide a copy of the deed for the land deeded to TWSI by Riverland Partners and Atkins, LLC. for the build-out of the treatment plant and drip field(s).

RESPONSE: The deed will not be available until the final plat is prepared and signed by the utility. As TWSI has done in the past (and per previous Orders), once the deed is available, a copy will be filed with the Commission in this docket. The developer is required, per the Sewer Service Agreement, to convey the land as a condition of service.

7. Is the charge for annual access fee \$140 as stated in the Pre-Filed testimony or \$120.00 as provided in the proposed tariff filed with this petition?

RESPONSE: \$120.

8. Provide the name of the company that will be building/constructing the treatment plant and constructing the drip fields?

RESPONSE: The developer is responsible for the construction of the plant and drip fields. TWSI is not aware of any decision having been made by the developer on the construction company. TWSI's sole role with regard to the company hired by the developer to construct the treatment plant and drip fields is to inspect the work upon completion of the system to ensure it has been built in conformance with the TDEC approved plans and TWSI guidelines.

9. Provide the name of the company that will construct the build-out of the collection system?

RESPONSE: The developer is responsible for the build out of the collection system. TWSI is not aware of any decision related to this and typically is not involved in the process until the collection system is to be inspected by the utility prior to acceptance of the system. TWSI affiliates do not install collection systems.

10. Confirm and explain in detail the statement in the LOU filed with the Petition that "TWSI will incur any costs in procuring easements or pursuing condemnation without Developer's written approval?"

RESPONSE: That is a typo. The language, remaining consistent with the rest of the paragraph, should state that “*TWSI will NOT incur any costs in procuring easements or pursuing condemnation without the Developer’s written consent*”.

11. Provide the USOC account numbers where the \$800 review and inspection fees per lot (\$46,500) and \$5,000 plans review fee will be booked.

RESPONSE: The \$800 is booked as developer revenue in account number 421.5 – Developer Revenue. The \$5000 plans review fee will be booked in account number 421.4 – Professional Services.

12. Refer to item number 10 in the Letter of Understanding (“LOU”). Developer acknowledges, understands, and agrees that for all cash and property contributions provided to TWSI, a gross up factor will be applied in order to recover the corporate Federal income taxes associated with those contributions. Please identify specifics of those contributions as to land, treatment system and collection system. It appears the construction budget provided with the Petition (total of \$256,227.44) did not include land or the collection system.

RESPONSE: Presently, TWSI is aware of the general cost to construct the treatment system (per the budget). The developer has not provided TWSI with any information regarding the cost of the land being conveyed nor the cost of the collection system. These costs have traditionally been provided at the time the system is completed, conveyed, and accepted by TWSI or at final plat signing. Consistent with recent Commission Orders granting CCN amendments to TWSI, TWSI will file this information in the docket upon receipt.

13. Provide a copy of the performance bond from the developer or builder of the wastewater system made payable to the Utility to ensure construction of the wastewater system.

RESPONSE: There is no performance bond.

14. Depreciation was estimated at \$1,500 annually for this system on the income statement that was provided with the Petition. Provide a calculation for this amount including plant amounts and associated depreciation rates.

RESPONSE: An updated 5-year projection is attached (Exhibit 3) with a revised calculation of depreciation along with a tighter estimation of expenses based on similarly situated systems and their historical operational costs. Depreciation is calculated as the total cost of the system divided by 26 years.

15. Provide supporting calculations for the \$3,500 in property tax forecasted for the Warrioto Hills location.

RESPONSE: This is an estimate based on previous property tax estimates used with prior petitions. TWSI won’t know the actual amount until the taxes are billed.


16. Will the Utility receive any warranty from the build-out of the construction of the system from either the builder of the system or the Developer? Also, are there any manufacturer warranties on the pumps and specific parts of the wastewater system?

RESPONSE: The developer will warrant the system from the time the system is accepted by the utility until the first phase (or full subdivision depending on what's being platted) obtains 25% occupancy.

17. For Mathew Nicks, provide a summary of work experience and qualifications, including whether Mr. Nicks has provided testimony in other jurisdictions.

RESPONSE: Please see attached Exhibit C for Mr. Nicks' resume. Mr. Nicks has testified in various depositions and court proceedings, but has not appeared before a regulatory board, agency, or commission.

RESPECTFULLY SUBMITTED,



Jeff Riden
Tennessee Wastewater Systems, Inc.
851 Aviation Parkway
Smyrna, TN 37167
615-220-7171
Jeff.riden@adenus.com



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES
William R. Snodgrass - Tennessee Tower
312 Rosa L. Parks Avenue, 11th Floor
Nashville, TN 37243-1102

MEETING MINUTES

PRELIMINARY PLANNING DISCUSSION

PROJECT NAME: Warrioto Subdivision

COUNTY: Montgomery

DATE REQUESTED: 10/19/2018

DATE HELD: 10/24/2018

MEETING LOCATION: NCO- Phone conference

MEETING TIME: 1300 hrs.

PARTICIPANTS/REPRESENTING: (checklist ITEM I.A)

Allen Rather, John Newberry, Anastasia Sharp- TDEC-DWR

David Foster, Marshall Fall- Adenus

PROJECT BACKGROUND AND PURPOSE: (checklist ITEM B)

The site is located off Ramblewood Drive in Montgomery County. No municipal sewer is available to the site. The initial system will serve Phase 1 of the development. Phase 1 consists of 57 lots.

SUMMARY OF PRELIMINARY ENGINEERING REPORT CONSIDERATIONS (checklist ITEMS C, D, E):

There is approximately 4.56 acres of suitable soils available for drip installation. The developer had requested the site be permitted for 43,000 gpd flow. The PER submitted shows that the recirculating sand filter will be sized for the flow of 19,100 gpd. Discussion with Marshall Fall P.E. determined that we will permit the site based on treatment capacity and not soils available. In the event the developer wishes to increase the number of connections, the permit can be modified based on soils available.

SUMMARY OF RECEIVING WATERS OR SITE SUITABILITY: (checklist ITEM F)

The 4.56 acres of soil available will meet the needs for permitting the site for the 43,000 gpd flow that the Adenus requested.

SUMMARY OF ANTICIPATED PERMITTING NEEDS: (checklist ITEM G, I, J, K):

A permit can be issued based on soils available. The engineer needs to submit a final ER and final plans prior to permit issuance.

DWR ORGANIZER: Allen Rather

MINUTES PREPARED BY: Allen Rather

DATE MINUTES PREPARED: 10/25/2018



November 28, 2018

Mr. Matthew Nicks
Tennessee Wastewater Systems, Inc.
849 Aviation Parkway
Smyrna, Tennessee 37167

Re: **Warrioto Hills Subdivision**
Montgomery County, Tennessee

Dear Matthew,

On behalf of the owners of the property, Riverland Partners and Powers & Atkins, LLC, this letter is to confirm that they will convey the land for the drip fields and sewer plant to the Utility upon platting of the lots of the planned 57 Lot subdivision referenced above.

If you have any questions or need additional information, please don't hesitate to contact me.

Sincerely,



Bryce Powers

Warrior Hills Subdivision

25-Sep-18

Projected Income Statement

Line No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5
	Number of Sewer Customers	15	30	45	50	57
	<u>Access Fees</u>					
	Number of lots with sewer access but no customer	42	27	12	7	0
	Access fee revenue (\$120 x lots)	\$ 5,040.00	\$ 3,240.00	\$ 1,440.00	\$ 840.00	\$ -
	<u>Operating Revenue</u>					
1	Service Revenue	\$ 8,307.00	\$ 16,614.00	\$ 24,921.00	\$ 27,690.00	\$ 31,566.60
2	Re-connect Fees	\$ -	\$ -	\$ -	\$ -	\$ -
3	Returned Check Charge	\$ -	\$ -	\$ -	\$ -	\$ -
4	Late Payment Charge	\$ -	\$ -	\$ -	\$ -	\$ -
5	Total Operating Revenue (sum of Line 1 through 4)	\$ 8,307.00	\$ 16,614.00	\$ 24,921.00	\$ 27,690.00	\$ 31,566.60
	<u>Operating Expenses</u> ¹					
6	Total salaries and wages and payroll taxes (employees only)	\$ 4,500.00	\$ 6,000.00	\$ 7,500.00	\$ 6,000.00	\$ 7,100.00
7	Outside labor expenses (non-employee)	\$ -	\$ -	\$ -	\$ -	\$ -
8	Administrative and office expenses	\$ 600.00	\$ 1,184.00	\$ 1,776.00	\$ 1,974.00	\$ 2,250.00
9	Maintenance and repair expense ²	\$ 1,000.00	\$ 1,200.00	\$ 1,400.00	\$ 1,600.00	\$ 2,000.00
10	Purchased water	\$ -	\$ -	\$ -	\$ -	\$ -
11	Purchased sewerage treatment	\$ -	\$ -	\$ -	\$ -	\$ -
12	Electric power expense ³	\$ 1,104.00	\$ 1,500.00	\$ 1,600.00	\$ 1,700.00	\$ 1,800.00
13	Chemical expense	\$ -	\$ -	\$ -	\$ -	\$ -
14	Testing fees	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
15	Transportation expense	\$ -	\$ -	\$ -	\$ -	\$ -
16	Other operating expense	\$ -	\$ -	\$ -	\$ -	\$ -
17	Telemetry	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00	\$ 1,900.00
18	Total operation and maintenance expenses (sum of Line 6 through Line 17)	\$ 9,304.00	\$ 11,984.00	\$ 14,376.00	\$ 13,374.00	\$ 15,250.00
19	Annual depreciation expense	\$ 9,855.00	\$ 9,855.00	\$ 9,855.00	\$ 9,855.00	\$ 9,855.00
20	Property taxes paid on utility property	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00	\$ 250.00
21	Franchise (gross receipts tax)	\$ 640.58	\$ 640.58	\$ 640.58	\$ 640.58	\$ 640.58
22	Annual NCUC regulatory fee	\$ 353.05	\$ 706.10	\$ 1,059.14	\$ 1,176.83	\$ 1,341.58
23	Total operating expenses (sum of Line 18 through Line 22)	\$ 20,402.62	\$ 23,435.67	\$ 26,180.72	\$ 25,296.40	\$ 27,337.16
	<u>Income taxes</u>					
24	Income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
25	State income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
26	Federal income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
27	Total income taxes	\$ -	\$ -	\$ -	\$ -	\$ -
28	Net operating income	\$ (7,055.62)	\$ (3,581.67)	\$ 180.28	\$ 3,233.60	\$ 4,229.44
29	Interest expense					
30	Net income	\$ (7,055.62)	\$ (3,581.67)	\$ 180.28	\$ 3,233.60	\$ 4,229.44

1. Expenses were estimated using comparisons to known expenses from similar sewer systems.
2. It is assumed that maintenance expense will increase due to more homes sending wastewater flow into the sewer system.
3. It is assumed that electric power expense will increase due to the sewer system treating more wastewater flow.