

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

|                                 |   |                            |
|---------------------------------|---|----------------------------|
| <b>IN RE:</b>                   | ) |                            |
|                                 | ) |                            |
| <b>APPLICATION OF TENNESSEE</b> | ) |                            |
| <b>WATER SERVICE, INC. FOR</b>  | ) |                            |
| <b>ADJUSTMENT OF RATES AND</b>  | ) | <b>DOCKET NO. 19-00028</b> |
| <b>CHARGES, AND</b>             | ) |                            |
| <b>MODIFICATION TO CERTAIN</b>  | ) |                            |
| <b>TERMS AND CONDITIONS FOR</b> | ) |                            |
| <b>THE PROVISION OF WATER</b>   | ) |                            |
| <b>SERVICE</b>                  | ) |                            |

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**TENNESSEE WATER SERVICE, INC.'S RESPONSES TO CONSUMER ADVOCATE'S  
FOURTH INFORMAL DISCOVERY REQUEST**

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Tennessee Water Service, Inc. ("TWS"), hereby responds to the fourth informal discovery requests from the Consumer Advocate Unit of the Attorney General's Office ("Consumer Advocate") as follows:

**FOURTH INFORMAL DISCOVERY REQUESTS**

4-1. Refer to the attachment provided in the Company's response to CA2-18. This item requested the Company's monthly trial balance schedules (before allocations) along with the monthly allocation factor calculations from January 2013 through December 2018. The attachment included in the Company's response only included this monthly data and related allocations from September 2017 through December 2018. The Consumer Advocate needs the additional monthly data and related allocations that were requested in order to affirm a going-level balance in each account and to assure that the test period balances and related allocations are not an anomaly. As such, we are requesting that the Company update its response to CA2-18 to also include the monthly data from January 2013 through August 2017 as originally requested.

**RESPONSE: Please see documents on attached flash drive:**

- 2015.xlsx
- 2016.xlsx
- 2017.xlsx
- 2018.xlsx

**The documents contain calculations supporting allocations for 2015 to 2018. Prior to 2015, TWS was part of a different corporate structure than is used today. As such, performing the requested calculations for 2013 and 2014 require a modified process that the Company is reviewing. TWS will provide these calculations once they are reviewed and completed.**

4-2. Refer to the Company's response to CA3-6. The Company's reply did not fully respond to this request. Specifically, state whether or not it is the Company's intention to revise its original rate case filing. Further, if the Company intends to revise its original rate case filing, provide a detailed listing and description of each update and revision made by the Company in its Exhibits and Schedules referenced in CA3-6, along with a reference to where each such update or revision was made in the Exhibits and Schedules.

**RESPONSE: The Company's response to DR# 3-6 provides a revised, updated version of the Company's original filing. Please see attached list of updates included in each Exhibit or Schedule.**

4-3. Refer to the "Summary" tab of the "Schedule G – O&M Pro-Forma" spreadsheet that was included with the Company's filing. Specifically refer to Cell L22 of this spreadsheet which provides for an adjusted test year amount for insurance expense of \$3,379 and note that the supporting workpapers reveal that \$2,579 of this total amount is for General Liability insurance and \$800 is for Other insurance.

(a) With respect to these expenses, respond to the following questions:

- i. Were these expenses incurred directly by the Company, or instead were such costs allocated from an Affiliate of the

Company?

- ii Identify the nature of the insurance coverage, including whether the insurance covered damages to property or other assets.
- iii. If such insurance covered property or other assets, please identify the specific property or assets covered and any exclusions and/or deductibles that applied.

(b) Explain fully and with specificity why the insurance coverage provided by the above expenses was not applicable to the damage from the Gatlinburg wildfires (as explained by the Company in response to CA1-10). In your explanation, provide a detailed list and description by policy of any exclusion or deductible that resulted in no recovery by the Company under each such policy for the damages from the Gatlinburg wildfires.

(c) Explain fully and with specificity the appropriateness of allocating insurance expense to Tennessee Water if exclusions or deductible amounts applied that failed to allow recovery for damage incurred in Tennessee similar to the Gatlinburg wildfires.

(d) Has the Company or any Affiliate modified any insurance coverage since the Gatlinburg wildfires in a way that, if such a loss were to occur today, would provide coverage for losses in scope and amount similar to those of the Gatlinburg wildfires?

**RESPONSE: a) Insurance expenses are incurred by the Water Services Corporation within UI and allocated to regulated subsidiaries such as TWS. Please see attached summary of current policies and their details. Also attached is the commercial property policy currently in effect and a list of covered property.**

**b) The property damaged by the Gatlinburg Wildfire were either not covered by the policies listed in attachment to part A above, or were valued cumulatively at or below the \$50,000 deductible for the commercial property policy. For the former case, 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, valves, meters, service lines, and the interconnect with the City of Gatlinburg.**

**For the latter case, the commercial property policy had a deductible of \$50,000, and the two well houses covered by the policy had a combined replacement value for coverage of less than \$50,000.**

**c) Most of the Company's policies pertain to security and liability to third parties, all of which are necessary coverages to perform the services of TWS. Regarding the commercial property policy, if a large storm had damaged insured assets of TWS along with another UI affiliate's covered assets, the deductible could be allocated across subsidiaries and provide a method of obtaining proceeds for TWS. Please see response to item D below regarding the changes in coverages since the Gatlinburg Wildfire.**

**d) The values of the two well houses listed on the property schedule have been increased and if a loss similar to the Gatlinburg wildfire occurred, there would be coverage after our \$50,000 deductible had been met. Items such as hydrants, service lines and underground pipe are not insured against losses due to their high cost of replacement and low risk of loss.**

4-4. Refer to the Company's response to CA1-10. Has any Affiliate of the Company received, or does it expect to receive, any insurance proceeds that are related to the Gatlinburg fires?

**RESPONSE: No TWS affiliate, nor TWS itself, has received insurance proceeds due to the Gatlinburg Wildfire. To date, no claim has been filed related to the Wildfire.**

4-5 State whether the Company or any Affiliate has applied for and/or received any grants, low-interest loans, governmental assistance, or any other subsidies or payments

resulting from the Gatlinburg wildfires. If so, provide the details of each such application and/or receipt, including but not confined to the:

- (a) Identity of the person with the Company responsible for each application and/or receipt;
- (b) Name of the entity to which any such application was made;
- (c) Date of the application and/or receipt, along with a description of the application and/or receipt;
- (d) Status of any such application;
- (e) Amounts received or to be received related to each such application and/or receipt; and
- (f) Copies of each such application, documents submitted with the application or requested afterwards relating to the application and any responses received (if any).

**RESPONSE: No grants, low interest loans, government assistance, or other subsidies or payments have been applied for or received related to the Gatlinburg Wildfire. The Company reviewed its options in this regard in the aftermath of the Wildfires. The Company was ineligible for FEMA Public Assistance grants, as those are reserved for local governments, states, and certain private non-profit organizations. The Company did not believe it qualified for a Small Business Association loan. Various donation programs and collections were initiated but were focused on homeowners or first responders.**

4-6. Provide a copy of the Company's monthly water bills from the City of Gatlinburg for service provided during the period of January 2013 through December 2018.

**RESPONSE: Please see attached.**

4-7. Provide documentation and calculation supporting the amount of water loss with the Gatlinburg Water Interconnect by month for the period of January 2013 through

December 2018. Include an explanation of the steps taken by the Company to address this loss.

**RESPONSE:** The Company's system delivery is a mix of both purchased water from the City of Gatlinburg and its own well pumpage. As such, there is no analysis available for water loss exclusively related to the Gatlinburg interconnection.

The Company engaged WSO to perform a water audit using 2017 data to analyze water loss in the system. Several recommendations were made and the Company has implemented the following strategies to manage water losses:

- The Company closed off all portions of the distribution system that had no active connections, in order to isolate activity to the active portions of the system. Only as customers reconnect to previously closed off portions of the system are the valves reopened to allow flow.
- The Company prioritized replacement of valves, hydrants, meters, and service lines in active portions of the system, as these were identified in the water audit as having high potential for significant leakage.
- The Company is implementing a SCADA system that will allow improved control of system pressure. The water system consists of multiple pressure zones and requires above average system pressures due to its topography.
- Replacing damaged pump and booster station assets to restore standard operation functionality.

The Company is planning to implement a helium leak detection survey once a significant portion of the system is restored and active. Performing such a study in the relatively early stages of system restoration will not provide comprehensive, actionable

**data, as portions of the system and certain pressure zones have not resumed standard functionality, while major pump station and storage tank repairs have been undertaken. This would result in incomplete and possibly flawed data if such a survey were performed too early in the restoration process. A helium study is the preferred method for leak detection in the TWS system as it increases the likelihood of detecting background leakage and the Company has experienced better results in similar mountainous systems in North Carolina.**

4-8. Provide the water loss ratio calculation by year for the period January 2013 through December 2018.

**RESPONSE: Please see attached system delivery and billed consumption data and resulting water loss ratios.**

4-9. Explain fully and with specificity the flow of funds (through the Company and its Affiliates) used by the Company and its Affiliates to acquire assets owned by or allocated to the Company.

**RESPONSE: Please see attached CONFIDENTIAL flow chart for a presentation of the flow of funds used to acquire assets by TWS.**

4-10. Refer to the Company's response to CA3-25 regarding the capital structure of TWS and Utilities, Inc. – parent only, as well as the testimony of Dante M. DeStefano, page 10, lines 6-8.

- (a) Identify the subsidiary of Utilities, Inc., or any other Affiliate or other entity, that owns assets utilized by Tennessee Water Service, Inc., in providing utility services in Tennessee.
- (b) Identify the subsidiary of Utilities, Inc., or any Affiliate or any other entity, that holds debt supporting the assets utilized by Tennessee Water Service, Inc., in providing utility services in Tennessee.

- (c) Provide the dollar amount and cost rate of any debt identified in response to part (b) of this CA4-9.
- (d) Provide an explanation of why the capital structure of Tennessee Water Service, Inc. is not available.
- (e) Provide an explanation of why the parent-only capital structure of Utilities, Inc. is not available.


**RESPONSE:**

- a) **Beyond assets owned by the Water Services Corporation which are used in providing shared services to UI subsidiaries, including TWS, and are captured in UA ledger allocations, no other affiliate of TWS owns assets used to provide service to TWS customers.**
- b) **Only debt initiated and held by UI is used to acquire assets to support provision of service by TWS to its customers.**
- c) **See response to B above.**
- d) **TWS recognizes retained earnings based on operating activity at the TWS level. However, any operating shortfalls (i.e., revenues lower than expenses) are recognized as an intercompany Accounts Payable to WSC. In addition, common stock related to Utilities, Inc. ownership of TWS is recorded at the TWS level. Otherwise, no traditional components of a utility capital structure (equity infusions, long term debt issuances) exist for TWS. As such, since capital structure balances used in the investment in rate base for TWS are held at the Utilities, Inc. level, the Company has proposed utilization of the UI capital structure in this proceeding. See response to DR# 4-9.**
- e) **Utilities, Inc. is a parent holding company for its regulated subsidiaries. As such, capital structure balances held at the UI level are for the purposes of the subsidiary**



**operations as there are minimal activities performed for UI in a “parent-only” capacity.**

Respectfully submitted,

By:   
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*Attorney for Tennessee Water Service, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on May 23, 2019 a true and correct copy of the foregoing was served  
via U.S. Mail or electronic mail upon:

Wayne Irvin  
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Ryan Freeman