

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

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

---

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

---

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

**FIFTH DISCOVERY REQUESTS**

5-1. Refer to the Company's responses to CA4-4. Provide the Company's analysis along with any contemporaneous notes or documents related to the Company's decision not to pursue or file a claim under the insurance policy applicable to property losses from the Gatlinburg wildfires.

**RESPONSE: Please find attached CONFIDENTIAL e-mail correspondence regarding the Wildfires and potential insurance claims.**

5-2. Refer to the Company's responses to CA4-3.

(a) Provide a copy of each insurance policy (including without limitation any declaration page and similar document) applicable to property losses from the Gatlinburg

wildfires, along with a list of covered property and any replacement values assigned to such property. Further, provide a copy of each application by the Company or its Affiliates for insurance coverage that resulted in the issuance of a policy applicable to property losses from the Gatlinburg wildfires. Finally, identify the specific language in each insurance policy that dictates the deadline for filing any claims associated with the Gatlinburg wildfires.

(b) If replacement values were assigned to property items under the insurance policy applicable to the assets damaged or destroyed by the Gatlinburg wildfire, state the Company's process for determining those replacement values and any audit or confirmation process that was used prior to the Gatlinburg wildfires to confirm such value(s). Identify the personnel who performed the initial value determination and any follow up audit or confirmation process. If the Company believes that the replacement values for the Tennessee assets were incorrectly reported for insurance purposes, state whether or not that recovery of these costs could be recovered through the Company's indemnification insurance policies and provide a copy of the indemnification policies supporting the Company's assertion.

(c) For each asset listed and/or described in the Company's response to CA4-3(b), provide the fair market value and the replacement cost of each such asset at the time of the Gatlinburg wildfires.

(d) Provide a summary along with any contemporaneous notes or documents of any discussion(s) with the insurer providing the insurance policy applicable to property losses from the Gatlinburg wildfires.

- (e) Provide a copy of any written correspondence with the insurer providing the insurance policy applicable to property losses from the Gatlinburg wildfires.
- (f) State the loss limit under the insurance policy applicable to property losses from the Gatlinburg wildfires. Further, provide any loss limit applicable to any specific item of property under the property insurance policy in effect at the time of the Gatlinburg wildfires.
- (g) For the property insurance policy applicable to property losses from the Gatlinburg wildfires, provide the citation or other reference in such policy that specifically states that the “uninsured assets” described in the Company’s response to CA DR 4-3(b) are uninsured. If the Company is not able to provide a specific citation or reference, provide the basis for the Company’s assertion that the listed assets are uninsured.
- (h) State the monetary difference between the loss limit applicable to the assets damaged or destroyed in the Gatlinburg wildfires and the deductible amount applicable to those assets on both a cumulative and by-asset basis.

**RESPONSE:**

- a.) **Please see attached CONFIDENTIAL property policy in effect at the time of the Wildfire. Also attached is the list of covered property and insured valuations at the time of renewal. No formal application was filed for this policy period – an updated asset valuation listing (the attached) was provided to facilitate policy renewal.**

**Page 12 of Part 1 of the attached policy states “Give us prompt notice of the loss or damage. Include a description of the property involved...As soon as possible, give a description of how, when and where the loss or damage occurred.” Page 23 refers to this time-based exclusion for debris removal: “Debris removal expenses will be paid only if they are reported to us within 180 days of the date of direct physical ‘loss’ or at the end of the policy period, whichever is earlier.”**

- b.) **On an annual basis, the operating business units review and update the replacement values on the insurance property schedule before it’s submitted to the insurance carrier. Martin Lashua, VP of Operations for Chalet Village at the time of the**

Wildfire, was tasked with facilitating the update (by his area manager, Gary Peacock) and with the auditing of the schedule. While the replacement costs of TWS assets is much higher than was included in the property policy at the time of the Wildfire, the Company does not believe the level of insurance coverage was an “inadvertent error” or “unintentional omission” as noted in Part 2 of the property policy, Page 4.

- c.) This information is not available for the time the Wildfire occurred. Bids were received for the replacement and rehabilitation of damaged assets at Piney Butt and Clubhouse sites approximately 20 and 24 months after the Wildfire, respectively. Piney Butt site includes 100,000 gallon reservoir tank and Upper Booster Station cited in response to DR 4-3(b).
- d.) Please see CONFIDENTIAL attachments to CA5-1 above.
- e.) The Company has identified no written correspondence with the insurer applicable to the Wildfire.
- f.) See CONFIDENTIAL property policy attachments supplied in response to part A above – the insured value and loss limit if the damaged property was \$48,000. The deductible for this time of loss event was \$50,000 (page 29 of Part 1 PDF).
- g.) The Company notes that response to DR 4-3(b) included two 100,000 gallon reservoir tanks. However, there is only one 100,000 gallon reservoir tank, which was connected to the Upper Station booster.  
Please see attached CONFIDENTIAL property listing used for renewal of the 2016-17 property policy. Note on the “All Regions Detailed 16-17” tab, the total insured property, less Computer Equipment which is covered elsewhere, equals the Limit of Insurance value on page 55 of the CONFIDENTIAL property policy PDF attached in response to part A above.
- h.) The Company would like to clarify that Wellhouse #2 (noted in the property listing as “Outback Resort Vlg”) was not damaged in the Wildfire. Wellhouse #2 had a \$24,000 loss limit. See CONFIDENTIAL property listing attached in response to part G above. The “All Regions Detailed 16-17” tab shows Wellhouse #1 (Chalet Village North) for TWS with loss limit of \$24,000. The loss limit is offset by the \$50,000 deductible for the property policy (page 29 of Part 1 PDF). All other TWS assets had no replacement loss value per the policy.

5-3. State whether the Company has performed any analysis or given consideration to the ability of customers (collectively or individually) to bypass usage of the Company’s water services by means of drilling water wells, constructing cisterns, having water brought to their respective homes by water tank truck, or other means. If the Company has performed any such analysis or given any such bypass option consideration, provide a summary along with any contemporaneous notes or documents related to any such analysis or consideration. If the Company has not performed any such analysis or given

any such bypass option consideration, explain why such analysis or consideration has not been done.

**RESPONSE:** No analysis has been completed at this time. It is the Company's view that the existing lots could not accommodate a private well due to setback requirements of septic systems – Tennessee Department of Environment and Conservation Regulation 0400-48-01-.11 requires at least 50 feet of clearance from water supply, 10 feet from property lines, and 10 feet from water lines. Only an engineering property survey of each parcel in Chalet Village can confirm the potential for each customer to drill a private well.

5-4. Provide the depth (in feet) and monetary cost of each water well drilled by the Company for the purpose of providing water to its customers in its Gatlinburg service territory. If the Company did not drill such water well(s), provide all the documentation in the Company's possession concerning the depth and monetary cost of each such well.

**RESPONSE:** The Company has not drilled any new wells. See below summary of the two Company wells in Chalet Village. The Company's records show the total original cost for both wells as \$261,550.

Name	Well # 1	Well # 2
Latitude	35.72361	35.72891
Longitude	-83.525	-85.5336
USGS Quadrant Name	157NE	157NE
Depth of Well	900'	600'

- 5-5. Provide a topographical map of the Company's service territory showing the location of each producing water well drilled by or on behalf of the Company, as well as any other producing water well known to the Company. Also provide the location on such topographical map of any dry hole water well(s) known to the Company.

**RESPONSE: Please see attached topographic map of existing wells. No new wells have been drilled by the Company. Also attached is a map of the Chalet Village Service territory.**

- 5-6. To the extent known by the Company, provide the estimated itemized cost of drilling a water well (in terms of a per foot cost and additional charges to complete the well and pump the water to the household) by an individual household seeking to use such well for its own household purposes. Provide the source and any supporting documentation for your response.

**RESPONSE: Please see attached quote for an estimated cost of a private residential well in Chalet Village.**

- 5-7. Provide a copy of any franchise agreement, developer or development agreement, restrictive covenants (by deed or otherwise), fire protection codes, or other similar document imposing limitations or constraints on the ability of customers to bypass usage of the Company's water services by means of drilling water wells, constructing cisterns, having water brought to their respective homes by water tank truck, or any other means.

**RESPONSE: Please see attached excerpt from the Company's purchase agreement of the water system. Also attached is the original building standards for Chalet Village. See page 2, Restriction #10 regarding required tap-on fees.**

5-8. Refer to the CONFIDENTIAL chart attached to CA DR 4-9. Provide a narrative explanation, in detail and with specificity, and journal entries reflecting the transactions and relationships between the Company and its Affiliates in such chart.

**RESPONSE: Please see attached CONFIDENTIAL narrative for the flow of funds, with sample journal entries.**

5-9. Provide all communications in which the Company has considered either a sale of its existing Tennessee properties or the acquisition of other Tennessee properties to mitigate the rate impact to customers from infrastructure replacement after the Gatlinburg wildfire.

**RESPONSE: The Company has not had communications regarding sale of its water system or acquisition of other Tennessee systems.**

5-10. Refer to the Company's response to CA3-11 regarding the investment cost for the Tank/Booster Station Rehabilitation project of \$331,482.95. Provide an update on this project that shows the capital expenditures by month. In addition, provide a copy of the monthly journal entries where this project has been capitalized to construction work in progress and plant in service.

**RESPONSE: There are no updates to the project total and activity supplied in CA3-11 as the project was placed in-service in January 2019. Please see attached download of journal entries, with a column added to show the GL account description. The WIP accounts 1665, 1666, and 1668 are subaccounts of 1699 which is used to roll up accumulated WIP balances and close WIP to PIS.**

5-11. Refer to the Company's response to CA3-12 regarding the estimated investment cost for the Well/Booster Station Rehabilitation project of \$310,000.00. Provide an update on this project that shows the capital expenditures by month. In addition, provide a copy of the monthly journal entries where this project has been capitalized to construction work in progress and plant in service.

**RESPONSE: Please see attached download of journal entries, with a column added to show the GL account description. The WIP accounts 1665, 1666, and 1683 are subaccounts of 1699 which is used to roll up accumulated WIP balances and close WIP to PIS.**

5-12. Refer to the Company's responses to CA3-13, CA3-14 and CA3-15 regarding the estimated investment costs for reconnected service lines, reconnected meter/installations, and the SCADA project. Provide an update on these projects that show the capital expenditures by month. In addition, provide a copy of the monthly journal entries where these projects have been capitalized to construction work in progress and plant in service.

**RESPONSE: SERVICES/METERES TBD**

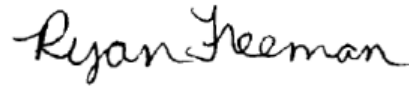
**No SCADA costs have been accrued to-date as the project began during the first week of June. It is still anticipated to be in-service in June 2019.**

5-13. Refer to the Income Statement (Exhibit 1) included with the Company's filing. Explain the difference in the amounts recorded to Regulatory Commission Expense (Line 17) and Utility/Commission Tax (Line 29). In addition, explain the omission of any data in Regulatory Commission Expense (Account 6070) prior to 2015.



**RESPONSE: Regulatory Commission Expense refers to costs to support regulatory filing or regulatory activities, such as rate cases, compliance filings, and petitions. As the last TWS rate case occurred in 2009, there has been minimal regulatory-related costs until the Company's recent petition for emergency recovery in 2017 related to the Wildfires. Line 17 includes amortization of the 2017 Emergency Petition filing costs and the costs associated with the processing of the current filing. Utility/Commission Tax refers to the regulatory fee all regulated utilities in TN are subject to, which is 0.425% of revenues for TWS. The amount shown is calculated as 0.425% (line 16 of Exhibit 4) times the proposed revenue requirement excluding gross up for uncollectible expenses (line 15 of Exhibit 6).**

Respectfully submitted,



By: \_\_\_\_\_  
Ryan A. Freeman (#033299)  
BAKER, DONELSON, BEARMAN,  
CALDWELL & BERKOWITZ, P.C.  
633 Chestnut Street, Suite 1900  
Chattanooga, TN 37450  
(423) 209-4181  
[rfreeman@bakerdonelson.com](mailto:rfreeman@bakerdonelson.com)

*Attorney for Tennessee Water Service, Inc.*

**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:

Wayne Irvin  
Senior Assistant Attorney General  
Financial Division, Consumer Advocate Unit  
War Memorial Building, 2nd Floor  
301 6th Avenue North  
Nashville, Tennessee 37243  
Wayne.Irvin@ag.tn.gov

A handwritten signature in black ink that reads "Ryan Freeman". The signature is written in a cursive, flowing style.

---

Ryan Freeman





well #2

Well #1

ground storage tank

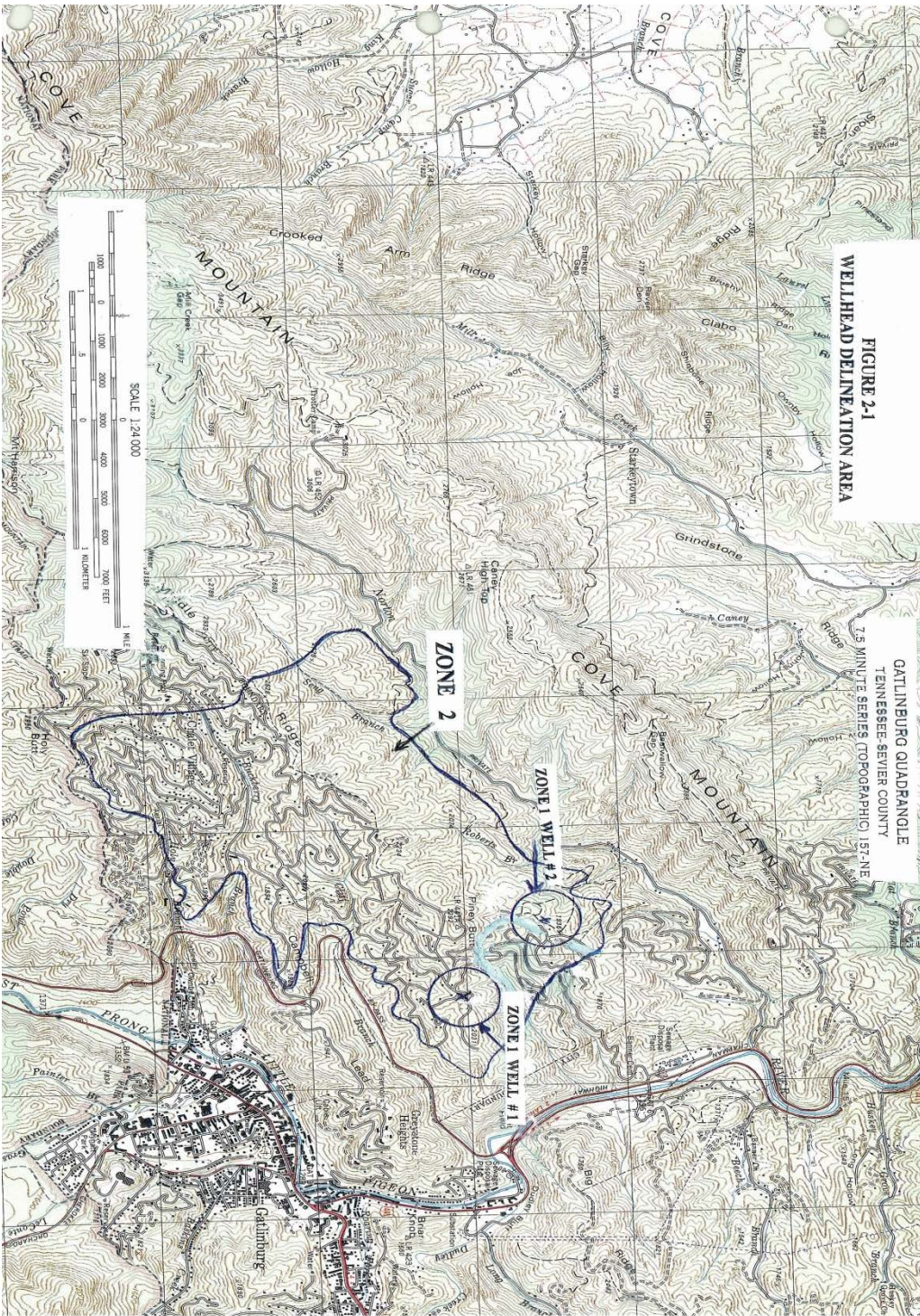
Gatlinburg master meter

clouded area not on system

0 479ft









## Gopher Utility Services, Inc.

1101 W C Street Kannapolis, NC 28081

June 5, 2019

Dear Tony Konsul,

The average residential well in the Chalet Village area is an average of 350 - 500' deep. An average residential well will be \$14 per foot, \$400 grout and approximately \$320 for casing.

Fiberglass Well Cover-\$150

Well Pump 1.5HP 12GPM-\$1250

500' of SCH 80 Well Drop Pipe @\$1.50 Per ft-\$750

500' of 10-2 WG submersible Cable @ \$1.40 per ft-\$700

22 Gallon Pressure tank w Tank Package switch, gauge etc.-\$300

100' of Ditch from Well to house with sch 40 Pipe and 10-2 UF Wire @ \$6 per ft.-\$600

Pump tag, well seal and misc. fittings-\$80

Thank you,

Reid Mullis

President

This instrument was prepared by  
A. Randolph Sykes  
Savannah, Tennessee

BUILDING STANDARDS, PROTECTIVE COVENANTS AND RESTRICTIONS

F O R

"CHALET VILLAGE NORTH"

WHEREAS, Leisure Concepts, Inc., an Ohio Corporation, authorized to do business in the State of Tennessee, is the owner of a tract of land, situate in the Eleventh (11th) Civil District of Sevier County, Tennessee, and Whereas, said tract of land is being subdivided into lots and designated "Chalet Village North".

THEREFORE, for and in consideration of these premises and other good and valuable considerations, Leisure Concepts, Inc., by and through its duly authorized Corporate Officer, does hereby restrict the use of all lots to be shown on the plats of said subdivision in residential lot areas; said restrictions to run with the title to said lots.

These restrictions, however, shall not apply to any portion of said property, which is designated on any recorded plat as a commercial or recreational area.

RESTRICTIONS:

1. No lot may be re-subdivided or decreased in size unless said lot is used in its entirety to increase the size of adjoining lots.
2. An easement five (5) feet in width is reserved along the interior of all lot lines for the installation and maintenance of various utilities.
3. No building shall be constructed on any lot, except for single family residential purposes, and the plans and specifications for any home to be constructed must be submitted to, and approved by the Developing Corporation, as to size, shape, materials, location on

STATE OF TENNESSEE, SEVIER COUNTY

The foregoing Instrument and Certificate were noted in  
Note Book 20, Page 191 At 3:18 o'clock P. M., 7-17-1972  
Item No. 3805; Recorded Misc Book 32 Page 208  
State Tax \_\_\_\_\_ Fee \_\_\_\_\_ Recording 10.00, Ct. House Fund 1.30  
Total 11.00 Receipt 11.696

See original Misc. Book 157 pg 285



lot, or any other feature essential to the well-being of the Development, such as the location of driveways and drainage systems, and tree removal.

4. No tents, trailers, portable or moved-in buildings, shall be permitted on any lot.

5. No commercial activity of any nature may be conducted from or on any residential lot.

6. No sign of any nature shall be displayed or placed upon any lot or building, including "For Sale", or "For Rent" signs, without the prior approval of the Developer.

7. All residences to be constructed on said lots must be completed within one (1) year from the date initial site preparation is commenced except in unusual cases, where approval of the Developer is obtained.

8. No animals, livestock, or poultry of any kind shall be raised, bred or kept on any lot, except that dogs, cats and other domestic pets may be kept, so long as they are maintained in such a manner as to not be a nuisance to other property owners.

9. All buildings, structures, installations and other improvements to be located on any lot must comply with all municipal and other governmental laws and regulations validly affecting said lot, and if any provisions herein differ therefrom, such variance shall not be construed as a waiver by the Developer of the necessity of compliance with the terms hereof.

10. Each lot owner shall be required to pay Developer a tap-on fee of Two Hundred (\$200.00) Dollars per lot for the purpose of extending a water line from the water main to the lot line; this fee including the cost of a water meter. If at any time a lot owner desires a water hook-up when the system within the Development is being operated by the City, then this fee and any additional charges, which may have been imposed, will be paid to Developer, which will then pay the City for any necessary tap-on.

11. The owner of each lot shall pay to Developer, or its designee, a fee of Fifty (\$50.00) Dollars per lot to be used for the maintenance of the various amenities to be located in the Development. The amount of this fee shall be subjected to increase on the first day of each calendar year, based upon any percentage increase in the U. S. Government Cost of Living Index that might have occurred in the previous twelve (12) months. Use by lot owners of the amenities located within the Development is subject to the payment of this fee and any rules and regulations promulgated by Developer or its designee.

12. No dumping or burning of any garbage, trash or refuse of any nature will be permitted on any lot, and each lot owner shall provide, at his own expense, buried 40 gallon containers for the purpose of storing garbage or other waste materials.

13. No lot owner shall be allowed to remove top soil or trees, or otherwise destroy the natural beauty of any lot, except for those activities commensurate with the construction of a residence, which must have the approval of the Developer, as provided hereinabove.

14. No noxious or offensive trade or activity shall be carried on upon any lot, nor shall anything be done thereon, which may be or become an annoyance or nuisance to the neighborhood.

15. Until such time as sewage disposal facilities become available, each residence shall have a septic system installed in such a manner as to comply with all governmental laws and health regulations.

16. Nothing shall be done on any lot whereby the natural flow of surface water shall be increased or altered in such a manner as to create a nuisance to other property.

17. All water lines installed upon any lot must be a minimum of 24 inches underground, the installation of which must be inspected and approved by Developer's engineer.



18. Any and all damage to subdivision roadways, resulting from construction equipment, or any activity conducted upon a particular lot, shall be repaired by Developer, but the owner of said lot shall reimburse Developer for all expenses incurred in making said repairs within one (1) month from the date said repairs are made.

19. Driveways onto said lots shall be constructed in such a manner as to not restrict the flow of traffic upon subdivision roadways, and each driveway shall be built at the lot owner's expense, with a minimum 18 inch cross drain at the entrance, or any other point where the flow of water is obstructed by said driveway.

These restrictions are to take effect immediately upon recording, and shall be binding on all parties claiming under them. If any party purchasing a lot, or their heirs or assigns shall violate or attempt to violate any of the restrictions contained herein, it shall be lawful for the Developer or any other person or persons owning any real estate in said Development or subdivision to prosecute any proceedings at law or in equity against the party violating or attempting to violate said restrictions.

Should any of these restrictions be invalidated by judgment of court order, this shall not in any way affect the validity of the other restrictions, which shall remain in full force and effect.

These restrictions are approved and adopted for Chalet Village North Subdivision, this 12 day of July, 1972, by the execution of this document by the duly authorized Corporate Officer of Leisure Concepts, Inc., the undersigned.

LEISURE CONCEPTS, INC.

BY: Peter B. P...

STATE OF

) ss:

COUNTY OF

)  
)

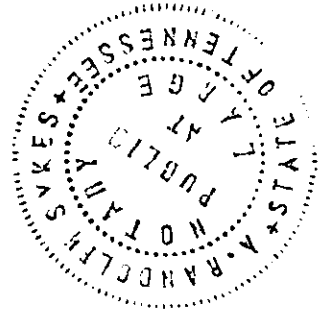
Before me, A. Randolph Sykes, a Notary  
Public, for said County and State, personally appeared Peter B.  
Paddock, with whom I am personally acquainted, and  
who, upon oath acknowledged himself to be the President,  
of Leisure Concepts, Inc., the within named bargainor, a corporation, and  
that he as such President, being authorized so to do,  
executed the foregoing instrument for the purposes therein contained, by  
signing the name of the corporation by himself as the President.

Witness my hand and Official Seal on this 12<sup>th</sup> day of

July, 1972.

A. Randolph Sykes, Notary Public

My Commission expires: 9-11-72



within the subdivision known as Chalet Village North in Sevier County, Tennessee, during the period until it receives a certificate of public convenience and necessity from the Public Service Commission of Tennessee ("Commission").

3. Its operation of the Facilities will in all respects comply with local, state, and federal law.

4. Prior to the execution of this Agreement, UI has been afforded by ADP the opportunity to inspect the physical condition of the Facilities, to evaluate costs and revenues relating to the Facilities, to investigate matters relating to the zoning, use, source of water for, and compliance with laws applicable to the Facilities, and to make any and all inquiries and inspections deemed necessary by UI. UI hereby acknowledges that it has approved each of such items, has made any inquiries, investigations, and inspections it requires or desires, and that it is acquiring the Facilities in an "as is, where is" condition as of the date of this Agreement with no warranties or representations by ADP other than as set forth in this Agreement.

5. It understands that the City of Gatlinburg, Tennessee, currently provides water for distribution through the Facilities but is under no contractual obligation to continue doing so.

6. No representation or warranty by UI in this Agreement, or any statement or certificate furnished or to be furnished to ADP pursuant hereto or in connection with the transaction contemplated herein, contains or will contain any untrue statement of a reasonably material fact or omits or will omit to state a reasonably material fact necessary to make the statements contained herein or therein not misleading.

C. ADP and UI mutually represent to each other that each has had no dealings, negotiations, or consultations with any broker, representative, employee, agent or other intermediary in connection with the Agreement or the sale of the Facilities and that each will indemnify, defend and hold the other free and harmless from the claims of any broker(s), representative(s), employee(s), agent(s) or other intermediaries claiming to have represented ADP or UI, respectively, in connection with this Agreement or in connection with the sale of the Facilities.