

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

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

**RESPONSE OF THE CONSUMER ADVOCATE
TO THE FIRST DISCOVERY REQUESTS OF TENNESSEE WATER SERVICE, INC.**

The Consumer Advocate Unit of the Financial Division of the Office of the Tennessee Attorney General (Consumer Advocate) hereby submits its responses to the First Discovery Request of Tennessee Water Service, Inc. (TWS or Company) to the Consumer Advocate filed on July 26, 2019.

REQUEST NO. 1-1:

Mr. Novak's testimony, footnote #8 on page 7, describes the compound inflation rate used for purposes of computing projected attrition period expenses. Please explain the rationale for compounding the 3.3% annual inflation rate from the end of the Test Year to the middle of the Attrition Year, as opposed to the middle of the Test Year to the middle of the Attrition Year.

RESPONSE: The purpose of any inflation adjustment factor is to span the gap between the cost levels of the test year and the cost levels that will be in place when the rates are implemented. As such, the appropriate time period to consider for any inflation adjustment to historical costs is from the end of the test period since that amount is already known, through to the mid-point of the attrition period. Further, the test period balances already have inflation

inherent in their individual monthly amounts, making it inappropriate to consider a further inflation adjustment from the mid-point of the test period. [Responsible Witness: William H. Novak]

REQUEST NO. 1-2:

Did Mr. Novak consider operational and administrative changes for TWS, such as changes in cost allocation methodology or new office leases, that have occurred since the Wildfires in developing his revenue requirement in this proceeding? To what extent are such operational or administrative changes reflected in Mr. Novak's revenue requirement?

RESPONSE: As fully described in Q & A No. 8 (beginning on page 6) of his direct testimony, Mr. Novak utilized the monthly data for the three-year period ended September 30, 2016 for calculating the Company's going-level expenses per customer. Except for adjustments for inflation, no changes beyond this three-year going-level average were considered for any increases or decreases to operational and administrative expenses since the wildfires. Also, note that no evidence on the need for consideration of changes in cost allocation methodology for operational and administrative expenses was presented by the Company in its filing. [Responsible Witness: William H. Novak]

Respectfully submitted,



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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:

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This the 31st day of July, 2019.



Wayne M. Irvin