

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 A  
QUALIFIED INFRASTRUCTURE  
INVESTMENT PROGRAM, AND  
MODIFICATION TO CERTAIN  
TERMS AND CONDITIONS FOR  
THE PROVISION OF WATER  
SERVICE**

**DOCKET NO. 19-00028**

## CONSUMER ADVOCATE'S SIXTH DISCOVERY REQUEST TO TENNESSEE WATER SYSTEMS, INC.

This Sixth Discovery Request is hereby served upon Tennessee Water Systems, Inc. (Company or TWS), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Attorney General's Office (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer Advocate Unit, War Memorial Building, 301 6<sup>th</sup> Avenue North, Nashville, Tennessee 37243, c/o Wayne M. Irvin, on or before 2:00 p.m. (CDT) on September 27, 2019.

## PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate's First Discovery Request to Tennessee Water Systems, Inc.* sent to the Company on March 20, 2019, and are to be considered continuing in

nature and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

In addition, identify the responsible Company witness for your response to each discovery request.

### **Additional Definitions**

“Clubhouse Project” refers to the Clubhouse Well and Booster Station as described in the Supplemental Testimony (defined below) of Company witness Mendenhall.

“Exhibit #4” is the three-page document entitled “Utilities Inc GL Detail Extraction” purporting to summarize the costs and expenses of the Sugar Mountain Project, as filed in this Docket on September 10, 2019.

“Exhibit #5” is the compilation of invoices and receipts purporting to be the source and support for the Sugar Mountain Project, as filed in this Docket on September 10, 2019.

“Exhibit #6” is the TWS Exhibit purporting to summarize the Company’s position after the hearing on the merits concerning this Docket No. 19-00028, as filed in this Docket on September 10, 2019.

“Hearing Transcript” refers to the transcript of the hearing on the merits that occurred on September 9, 2019, in this Docket.

“Piney Butt Project” refers to the Piney Butt Tank and Booster Station as described in the Supplemental Testimony of Company witness Mendenhall.

“Rebuttal Testimony” refers the testimony filed by a Company witness on August 16, 2019, in this Docket.

“Sugar Mountain Project” refers to the project completed by Carolina Water Service of North Carolina, Inc. that is subject of Exhibit #4 and Exhibit #5.

“Supplemental Testimony” refers to the testimony filed by a Company witness on September 16, 2019.

## **SIXTH DISCOVERY REQUESTS**

### **Requests Related To Exhibits #4 and #5**

- 6-1. Admit or Deny that the Company has conceded that the amount of the regulatory liability resulting from the Company’s failure to obtain adequate property insurance – to which the Company has admitted in this Docket – is at least \$382,016. If you deny, explain your reason(s) for such denial in detail and with specificity.

#### **RESPONSE:**

- 6-2. Refer to Page 6 of Company witness Mendenhall’s Rebuttal Testimony where he states the following:

“TWS recommends looking at comparable projects that the Company or its nearby affiliates had completed before the wildfires occurred.”

Identify each of the “comparable projects” beyond just the Sugar Mountain Project that was undertaken by the Company or its affiliates in Tennessee and/or contiguous States and provide the data provided in Exhibit #4 and Exhibit #5 for each such comparable project identified above in the same format and detail provided in Exhibit #4 and Exhibit #5.

#### **RESPONSE:**

- 6-3. Refer to the Supplemental Testimony of Company witness Mendenhall, and specifically to page 2, line 16, through page 3, line 10. State, and explain your response fully and with specificity, whether Mr. Mendenhall is taking the position that the Company’s failure to obtain adequate property insurance prior to the wildfires was a **prudent** action by the Company?

#### **RESPONSE:**

- 6-4. Refer to the Supplemental Testimony of Company witness Mendenhall, and specifically to page 2, line 16, through page 3, line 10. State, and explain your response fully and with specificity, whether Mr. Mendenhall is taking the position that the Company's failure to obtain adequate property insurance prior to the wildfires was a **reasonable** action by the Company?

**RESPONSE:**

- 6-5. Provide a list and description of each mechanical or structural component and/or system included in each of the Piney Butt Project, Clubhouse Project, and/or Sugar Mountain Project and the cost of each such mechanical or structural component and/or system included in each of the Piney Butt Project, Clubhouse Project, and/or Sugar Mountain Project. In your response to this discovery request, identify specifically each mechanical or structural component and/or system that was repaired, replaced, or constructed in connection with each of the Piney Butt Project, Clubhouse Project, and/or Sugar Mountain Project.

**RESPONSE:**

- 6-6. Identify the general contractor for **each** of the Piney Butt Project, Clubhouse Project, and Sugar Mountain Project. In addition, identify each of the principal subcontractors for **each** of the Piney Butt Project, Clubhouse Project, and Sugar Mountain Project and provide a description of each subcontractor's primary responsibility on each such project and a list of the components and/or systems for each of the Piney Butt Project, Clubhouse Project, and Sugar Mountain Project that each subcontractor worked on.

**RESPONSE:**

- 6-7. Provide the detailed criteria, metrics, or standards used by the Company prior to or at the time that Exhibits #4 and #5 were prepared to evaluate comparable projects, along with a narrative explanation as to the relative importance of each such detailed criteria, metrics, or standards.

**RESPONSE:**

- 6-8. Provide a copy of any and all documents prepared or drafted prior to or in connection with the preparation of Exhibits #4 and #5 that demonstrates the Company engaged in an analysis or comparison of comparable projects.

**RESPONSE:**

- 6-9. State the author(s) or preparer(s) of Exhibit #4 and the date(s) on which it was prepared.

**RESPONSE:**

- 6-10. State the author(s) or preparer(s) of Exhibit #5 and the date(s) on which it was prepared.

**RESPONSE:**

- 6-11. Provide a list and description of any professional licenses and/or certificates held (and a statement as to whether each such license or certificate is active), for each of Company witness DeStefano and Company witness Mendenhall.

**RESPONSE:**

- 6-12. Refer to Exhibit #4. Provide a complete and accurate copy of the general ledger, in Excel format with all formulas intact, that is the source for the so-called "Utilities Inc. GL Detail Extraction" and, for each of the items listed on Exhibit #4, provide (a) a specific, detailed reference to the source in such general ledger of each such item and (b) the date that each item was entered into that general ledger. In addition, provide a narrative description or definition for "Co 182", "Business Unit 2015131", and "Obj Acct 1665".

**RESPONSE:**

- 6-13. Refer to Page 6 of Company witness Mendenhall's Rebuttal Testimony where he states the following:

"...disasters such as the Wildfire can create a premium on reconstruction of damages assets, due to supply/demand pressures on contractor labor and materials."

For **each** of the Piney Butt Project, Clubhouse Project, and Sugar Mountain Project, provide a copy of each of the Company's solicitations for bids, a list identifying all contractors to which each solicitation for bids was sent, a list of all bids submitted by contractors with a statement as to which project the submitted bid relates, and a copy of all bids received by the Company or any Company affiliate.

**RESPONSE:**

- 6-14. Refer to Page 6 of Company witness Mendenhall's Rebuttal Testimony where he states the following:

"...disasters such as the Wildfire can create a premium on reconstruction of damages assets, due to supply/demand pressures on contractor labor and materials."

Explain fully and with specificity the Company's process for selecting contractors and notifying contractors of its solicitation of construction bids.

**RESPONSE:**

- 6-15. For the **Clubhouse Project**:

- (a) Provide, in the same format and detail set out in Exhibits #4 and #5, a detailed labor and materials listing (along with an Excel version) with invoices.
- (b) Identify each vendor providing materials or services to this project and provide a narrative description of the work provided by each of the vendors on this project. For any

work performed on this project by an individual employed or otherwise retained by the Company or by an affiliate of the Company, identify such individual or affiliate and provide the total cost and expenses charged by such individual or affiliate, provide a description of the work performed, and if the costs or expenses have been allocated to the project, provide the basis for allocating any costs to such Project.

(c) For each vendor identified in this discovery request, identify other Company projects that these vendors have worked on and/or completed along with the amounts paid by project. Also, provide a copy of any invoice or document related to each such project.

**RESPONSE:**

**6-16. For the Piney Butt Project:**

(a) Provide, in the same format and detail set out in Exhibits #4 and #5, a detailed labor and materials listing (along with an excel version) with invoices.

(b) Identify each vendor providing such materials or services to this project and provide a narrative description of the work provided by each of the vendors on this project. For any work performed on this project by an individual employed or otherwise retained by the Company or by an affiliate of the Company, identify such individual or affiliate and provide the total cost and expenses charged by such individual or affiliate, provide a description of the work performed, and if the costs or expenses have been allocated to the project, provide the basis for allocating any costs to such Project.

(c) For each vendor identified in this discovery request, identify other Company projects that these vendors have worked on and/or completed along with the amounts paid by project. Also, provide a copy of any invoice or document related to each such project.

**RESPONSE:**

- 6-17. Refer to Exhibits #4 and #5. For any work performed on the **Sugar Mountain Project** by an individual employed or otherwise retained by the Company or by an affiliate of the Company, identify such individual or affiliate and provide the total cost and expenses charged by such individual or affiliate, provide a description of the work performed, and if the costs or expenses have been allocated to the project, provide the basis for allocating any costs to such Project.

**RESPONSE:**

- 6-18. Provide a copy of any and all permits obtained from any governmental entity for or in connection with **each** of the Clubhouse Project, Piney Butt Project, and Sugar Mountain Project, along with a statement as to which project each permit relates.

**RESPONSE:**

- 6-19. For each of the Clubhouse Project, Piney Butt Project, and Sugar Mountain Project, provide a copy of any and all mechanical drawings, construction agreements, design drawings, construction drawings and/or plans, site topographies, and site surveys prepared by a third party vendor, the Company, or any affiliate of the Company, along with a statement as to which project each such document relates.

**RESPONSE:**

- 6-20. Refer to Exhibit #5 showing the invoices associated with the Sugar Mountain Project. Provide a narrative description of the work provided by each of the vendors on this project.

**RESPONSE:**

- 6-21. Refer to Exhibit #5 showing the invoices associated with the Sugar Mountain Project. Identify other Company projects that these vendors have worked on and/or completed

along with the amounts paid by project. Also, provide a copy of any invoice or document related to each such project.

**RESPONSE:**

- 6-22. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 3, lines 4-14. Provide a list of each covered asset and the replacement value for each such asset in each of the 33 years of coverage referred to by Mr. DeStephano.

**RESPONSE:**

- 6-23. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 5, lines 4-14. Provide the incremental additional cost to the Company of property insurance that would have provided the approximately \$757,000 of insurance coverage for the assets destroyed in the 2016 wildfires.

**RESPONSE:**

- 6-24. Refer to the Hearing Transcript on page 81, lines 1-15, concerning the testimony of Company witness Heigel in which she stated that the Company currently has approximately \$887,000 in replacement cost insurance on the Chalet Village assets.
- (a) Confirm the accuracy of the \$887,000 in replacement cost insurance amount.
  - (b) Provide the current property insurance premium amount that is allocated to the Company, and provide all documents supporting such amount and allocation.

**RESPONSE:**

- 6-25. Refer to the Hearing Transcript on page 80, lines 24-25. Identify the “four assets that are scheduled” along with the project to which each relates and provide (a) the specific scheduled replacement value for each such asset, (b) the incremental increase (or decrease) in insurance premiums for each such asset resulting from changes to such replacement

value since 2014, and (c) the change in property insurance premiums allocated to the Company for each year since 2014.

**RESPONSE:**

- 6-26. State, to the knowledge of the Company, whether the Commission has ever **not** approved a property insurance premium cost requested by the Company or any other investor-owned utility. If the Company is aware of a docket or other matter in which the Commission has not approved a property insurance premium cost, provide the docket number and any document related to such non-approval.

**RESPONSE:**

- 6-27. Provide the specific date on which the Company's property insurance renewal was effective in 2016 and the specific date on which the Company provided the replacement cost value (as described in the Company's response to Consumer Advocate discovery request 5-2) to the insurance company.

**RESPONSE:**

- 6-28. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 5, lines 9-10. Provide the "information that was available to the Company at the time of policy renewal (i.e., late summer 2016)." Provide all documents reflecting such information.

**RESPONSE:**

- 6-29. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 5, lines 10-14. Explain fully and with specificity why the Company failed to include "the Piney Butt and Clubhouse booster site assets at a reasonable replacement cost based on the best information known at the time of policy renewal."

**RESPONSE:**

- 6-30. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 5, lines 10-14. State the date on which all of the “best information” was available to the Company for the Sugar Mountain Booster Station Project, and provide documentation of the information that was available to the Company on that date along with a copy of all such documentation.

**RESPONSE:**

- 6-31. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 6, lines 12-17. Explain fully and with specificity the rationale for Company witness DeStefano’s position that ratepayers should pay for the deductible on the insurance policy in order to make the Company whole.

**RESPONSE:**

- 6-32. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 4, lines 1-17. Explain fully and with specificity why the age or condition of an asset is relevant when, in the context of a replacement cost insurance policy, the insurance company would be expected to pay the full replacement value (regardless of the asset’s age or condition) if that asset were adequately insured.

**RESPONSE:**

- 6-33. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 3, lines 15-21. State, and explain your response fully and with specificity, whether Mr. DeStefano is asserting a position that the Company has a right to (that is, the Company is guaranteed) to receive a rate of return on rate base.

**RESPONSE:**

- 6-34. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 3, lines 15-21. State, and explain your response fully and with specificity, whether Mr. DeStefano is taking the position that the Company's failure to obtain adequate property insurance prior to the wildfires was a **prudent** action by the Company?

**RESPONSE:**

- 6-35. Refer to the Supplemental Testimony of Company witness DeStefano, and specifically to page 3, lines 15-21. State, and explain your response fully and with specificity, whether Mr. DeStefano is taking the position that the Company's failure to obtain adequate property insurance prior to the wildfires was a **reasonable** action by the Company?

**RESPONSE:**

- 6-36. Provide a copy of any and all private placement memoranda provided to any potential or actual investor in the period from January 2012 through June 2019, including any and all related offering documents, for issuances of securities by Utilities, Inc., Corix Infrastructure, and/or any entity affiliated with those entities. In addition, provide a copy of any insurance or indemnity policy directly or indirectly referenced in any of such private placement memoranda or offering documents. Further, provide a copy of any document describing, supporting, or assessing any risk factor or similar statement related to risks from wildfires or similar natural disasters in any of such private placement memoranda or offering documents.

**RESPONSE:**

**Request Related To Exhibit #6**

- 6-37. Refer to Exhibit #6 showing the Company's updated calculations for its requested rate increase. Specifically refer to Schedule 3 of this Exhibit which shows a comparison of rate

base calculations. Is it the Company's intent to now propose a revised rate base calculation of \$1,420,118, which is above its initial filing amount of \$1,196,687 and its revised filing amount of \$1,351,123? If it is the Company's intent to now propose a revised rate base calculation of \$1,420,118, explain in detail and with specificity the Company's calculations to arrive at and the Company's basis for such revised request.

**RESPONSE:**

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:

Ryan A. Freeman, Esq.  
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This the 23<sup>rd</sup> day of September, 2019.

  
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Wayne M. Irvin