

**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 SYSTEMS, INC.'S RESPONSES TO CONSUMER ADVOCATE'S
SECOND INFORMAL DISCOVERY REQUESTS**

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:

SECOND INFORMAL DISCOVERY REQUESTS

2-1. Refer to the "Pro-forma Revenues" tab of the "Schedule A Bill Analysis and Rate Design" spreadsheet that was included with the Company's filing. Provide the source and support for the 36 Private Fire Service bills shown in Cell B18.

RESPONSE:

Please see attached, depicting the service order comments posted to the billing system describing the upsizing of three customer service lines to accommodate fire flow.

2-2. Refer to the "Consumption Summary" tab of the "Schedule A Bill Analysis and Rate Design" spreadsheet that was included with the Company's filing. Provide the source and support for the data on this spreadsheet that appears as hard-coded amounts. In

addition, provide a reconciliation of this data with the information on the “Sorted” and “Data” tabs of this same spreadsheet.

RESPONSE:

This data comes from the Sorted tab, column P, both for count and for consumption totals. Please see response to DR #2-4 regarding Data tab.

2-3. Refer to the “Data” tab of the “Schedule A Bill Analysis and Rate Design” spreadsheet that was included with the Company’s filing. Define and explain the assigned values for the “Close BSEG SW” and “Bill Cyc Code” columns.

RESPONSE:

Any bill with a “Y” in the “Close BSEG SW” column is a final bill per a stop service order from the customer.

For the “Bill Cyc Co” column:

- **“TEND” is the standard TWS monthly reading and billing cycle code.**
- **“ALOP” is the standard code used for final bills.**
- **Occasionally, final bills will be processed in batches containing other UI subsidiary billing cycles in order to facilitate the bill being issued outside of the normal monthly cycle. As such, codes “M10”, “IEND”, “LEND”, “AEAV” are billing codes from other UI subsidiaries.**
- **Blank cells occur when a bill requires manual intervention to be issued, such as a manually entered read vs. an upload to the billing system.**

2-4. Refer to the “Sorted” tab of the “Schedule A Bill Analysis and Rate Design” spreadsheet that was included with the Company’s filing. Explain all differences and adjustments that have been made to this spreadsheet from the source information included in the “Data” tab, specifically noting any information that has been either added or deleted along with the reasons for such changes.

RESPONSE:

Please refer to response to DR #2-21. In addition, the “Month” and “Year” columns were added for ease of sorting and filtering the data. The “Billing Rate” column was added to segregate the old effective rates and the rates per Docket No. 17-00108. Columns “Bill Days” and “base chg” were added to confirm the number of prorated bills and accuracy of such billings. The “billed usage” column was added as not all metered usage is billed at the volumetric rate.

2-5. Refer to the “Deferred Charges” tab of the “Schedule B-D Rate Base and Deferrals” spreadsheet that was included with the Company’s filing. Specifically refer to Cells C23 to G29 that outline the costs for the current rate case expense. Provide the source and support for the Company’s estimates of these amounts. In addition, provide the rate case costs incurred to date segregated by each of these accounts.

RESPONSE:

Please see attached, detailing the basis for the rate case expense estimates in the initial filing, as well as the itemized costs to-date, summarized by category on the “Costs to-date” tab. Please note the Company will provide updated actual costs during this proceeding.

2-6. Refer to the “Pro-forma Plant” tab of the “Schedule B-D Rate Base and Deferrals” spreadsheet that was included with the Company’s filing. Provide the source and support for the “In-Service Date” shown in Column G of this spreadsheet for each capital project.

RESPONSE:

Please see attached screenshot of JDE journal entry closing the in-progress Piney Butt Tank/Booster Station Rehab project to plant as of 1/31/2019. See response to DR #1-25 Excel files for support for estimated plant additions for service lines and meters. Please note that per project manager review on 4/4/2019, the clubhouse booster station project is now scheduled for an in-service date of 4/19/2019. As the SCADA project can be implemented only after the clubhouse booster station is completed, and takes approximately 4-6 weeks to complete, an updated estimated in-service date for the SCADA system is 5/24/2019.

2-7. Refer to the “Calculation of Return” tab of the “Schedule F Return on Replacement Capital” spreadsheet that was included with the Company’s filing. Specifically refer to cells D63 and D64 that provide a capital structure of 59.36% long-term debt and 40.64% equity that is used to calculate the return on the Company’s replacement capital. Provide the source and support for the capital structure used by the Company on this spreadsheet.

RESPONSE:

The as-filed rate of return of 6.89% was utilized in the Settlement Agreement and approved by TPUC in TWS’s 2009 rate case. See attached related final order and settlement, particularly Schedule 10 of the Settlement Agreement.

2-8. Refer to the “Calculation of Return” tab of the “Schedule F Return on Replacement Capital” spreadsheet that was included with the Company’s filing. Specifically refer to cells E63 and E64 that provide for a debt cost of 6.40% and an equity cost of 7.60% that is used to calculate the return on the Company’s replacement capital. Provide the source and support for the capital cost rates used by the Company on this spreadsheet.

RESPONSE:

Please see response to DR #2-7.

2-9. Refer to the “Summary” tab of the “Schedule G O&M Pro-Forma” spreadsheet that was included with the Company’s filing. Provide the source and support for the Excess ADIT balances in Account 4560 that are split between the protected balance of \$95,102.31 and the unprotected balance of \$3,928.50 as shown on the Miscellaneous footnote at the bottom of Schedule G.

RESPONSE:

Please see attachment in response to DR #1-39.

2-10. Refer to the “Summary” tab of the “Schedule G O&M Pro-Forma” spreadsheet that was included with the Company’s filing. Provide the source and support for the Excess ADIT amortization periods of 49 years for the protected balance and 5 years for the unprotected balance as shown on the Miscellaneous footnote at the bottom of Schedule G.

RESPONSE:

Please see attachment in response to DR #1-39, “Protected Only” tab for support of the 49-year amortization. The amortization for unprotected EDIT is not subject to IRS normalization rules, and therefore any reasonable amortization period may be chosen. As described in the direct pre-filed testimony of Company Witness DeStefano, TWS is proposing a 5-year amortization to align with proposed amortizations of Regulatory Assets included in this proceeding (Deferred Charges per Schedule D).

2-11. Refer to the “O&M Summary – Test Year” tab of the “Schedule G O&M Pro-Forma” spreadsheet that was included with the Company’s filing. Provide the details of the work performed by the Contracted Operators in Account 6370. In addition, describe why the activity for this account didn’t decline along with the number of customers immediately after the fire. Also, explain the Company’s rationale for using the test period amount (twelve months ended 9/30/18) for Contracted Operators on Schedule G instead of the same three-year average amount (10/1/13 to 6/30/16) that was done for all other operating expenses.

RESPONSE:

The contractor’s regular duties before and after the wildfires remained the same: Manage field activities (customer service orders), monthly manual meter readings, monthly bac-t and system residual checks, maintaining diesel fuel levels for generators, manage

vendor and his own contractor preventative and scheduled/periodic maintenance, leak detection and repair, and coordinating with customer's contractors/builders at home sites as needed. In addition, due to the nature of the system damage, temporary setups were used for extended periods, such as battery-supported telemetry systems and temporary pumps and generators. These setups require daily maintenance and checkups. Although the scope of the customers supported was decreased, the level of regular maintenance did not subside equivalently and also became more complex, including but not limited to: more frequent leaks and more customer reconnects than in years past.

The Company used the more recent actual activity as it better represents the activities to be performed by the contractor for the foreseeable future. In addition to the routine maintenance activities, the Company anticipates continued reconnections (and thus customer service orders), identification and repair of leaks, coordination with home site builders, as well as a steady incremental increase in meter readings required.

2-12. Refer to the "GL – Transaction Detail - Sorted" tab of the "Schedule G O&M Pro-Forma" spreadsheet that was included with the Company's filing. Provide a copy of the test period accounting entries to capitalize Account 6355 – Deferred Maintenance Expense.

RESPONSE:

Please see enclosed folder DR 2.12. Account 6355 shows the amortization expense for all deferred charges that are being amortized on the Company's books. There are two items being amortized and the original costs of both items were posted to balance sheet account 2960 (Deferred Charges – Tank Maintenance and Repair) with the amortization expense flowing through account 6355.

2-13. Refer to the "Summary" tab of the "Schedule H Purchased Water Expense" spreadsheet that was included with the Company's filing. Provide the source and support for the purchased water rates from the City of Gatlinburg that are outlined in Footnote F and embedded within the formula in Cell M11 of this spreadsheet.

RESPONSE:

Please see attached sample bill from the City of Gatlinburg and the City's rate schedule. The Company's interconnection is a 3" meter and uses rates in the section labeled "Water-Outside City Limits @ or above 1750 ft above sea level". The sample bill's readings are in 100 gallon increments.

2-14. Refer to the "Sheet2" tab of the "Schedule H Purchased Water Expense" spreadsheet that was included with the Company's filing. Provide the source and support for the attrition year water deliveries ("Total P&P") shown in Cell M61 of this spreadsheet with a value of 37,035,498 gallons.

RESPONSE:

Please see response document attached in flash drive:

- **System Delivery - Test Year.xlsx**

Please see the attached support for Test Year customer count in cell K61 and system delivery in cell J61. These values provide the value for cell L61, which is multiplied by the pro-forma customer count of 311, times 12 months to determine the pro-forma system delivery.

2-15. Refer to the Company's response to CA1-20. The Company's reply appears to be non-responsive. Provide the source and support for the specific components that are included within Account 1020 – Organization.

RESPONSE:

Please see response document attached in flash drive:

- **12.31.08 JDE data filing template for TWS.xlsx**

Please see settlement Exhibit 1, Schedule 2 attached in response to DR #2-19 to confirm the Company's actual 2008 book Plant in Service was approved for rate base. See also attached updated exhibits provided in the 2009 case to the Consumer Advocate supporting the 2008 book amounts. Further information regarding this request is not readily available.

2-16. Refer to the Company's response to CA1-28. The Company's reply appears to be non-responsive. Provide the source and support for the MACRS tax depreciation rate of 4.00% that is used on the "ADIT" tab of the "Schedule B-D Rate Base and Deferrals" spreadsheet.

RESPONSE:

Please see response to DR #2-22.

2-17. Refer to the Company's response to CA1-7 regarding annual reports. The Company's reply only provided the annual reports for 2016 and 2017. Provide a copy of the 2018 annual report when available.

RESPONSE:

Please see attached CONFIDENTIAL response.

2-18. Refer to the Company's response to CA1-13, CA1-14, CA1-15 and CA1-16. These items requested information on the individual gross amounts (before allocations to Tennessee) for each account in the Company's trial balance along with a calculation of the monthly allocation factors for January 2013 through December 2018. The Company's response to these four items appears to be non-responsive. Please provide the information requested.

RESPONSE:

Please see response document attached in flash drive:

- **DR 2.18.xlsx**

Regarding DR's #1-13 and #1-14, no allocations occur on the AA ledger and thus no detail can be provided.

Regarding DR's #1-15 and 1-16, the Company objects to the request as overly burdensome. In order to respond to this request the Company would have to manually recreate thousands of allocation transactions that are calculated within the Company's ERP system, inclusive of various corporate structure changes and thus allocation changes over time. Notwithstanding this objection, please see attached the Company's UA ledger allocation calculations for the Test Year in this case. The Company has calculated the allocations of balances (Balance Sheet items) and activity (Income Statement items) from WSC and two regional cost centers, using ERC allocations.

2-19. Refer to the Company's response to CA1-19 regarding depreciation rates. Has the Company retained a copy of the Tennessee Commission's Orders prior to the 2009 rate case that first established the current depreciation rates? If so, provide a copy of these Orders.

RESPONSE:

The Company's rate case order prior to the 2009 filing, Docket No. 89-11616, did not directly address depreciation. Please see attached for the initial and final orders in that proceeding. In the 2009 case, the Company's as-filed depreciation expense (supported in response to DR #1-19) was modified by the Consumer Advocate to reflect 2008 actuals. See Exhibit 1, Schedule 2 of the attached settlement approved by final order in the 2009 case. Therefore, the approved amount reflected actual book depreciation, which utilized the rates provided in the Company's as-filed position in this proceeding. See also attachment in response to DR #2-15 for 2008 actuals update in the 2009 case.

2-20. Refer to the Company's response to CA1-23 regarding Contributions in Aid of Construction. This item requested information on the identity and the source of the funding from contributions to this account. The Company's reply appears to be non-responsive. Please provide the information requested.

RESPONSE:

See attachment in response to DR #2-15 for 2008 actuals update in the 2009 case, which were approved in that filing. Further information requested is not readily available.

2-21. Refer to the Company's response to CA1-24 regarding the Billing Report included in Schedule A. The Company's reply indicates that duplicate line items have been removed from the raw data. Provide a narrative explanation of how the Company identifies and removes duplicate line items from this report. In addition, provide an explanation as to why duplicate line items are included within the report.

RESPONSE:

The duplicate line items are removed by using the Remove Duplicates function in Excel filtering only on the Acct ID, Bill Id, Bill Date, Month, Year, Start Date, End Date, Final Req Qty, SVC Type Code, Mtr Sz, Start Reg Reading, and End Reg Reading columns of the raw data. Duplicate line items may arise in the raw billing data when there are rate changes (i.e., two sets of rate applicable for a monthly bill), or meter change outs. Such duplicates would result in overstating the usage and dollars billed for the Test Year, causing unnecessary varies to actual posted ledger activity.

2-22. Refer to the Company's response to CA1-28 regarding MACRS depreciation rates used by the Company for tax depreciation. The Company's reply referred to IRS Publication 946. Provide a copy of IRS Publication 946 that supports the MACRS depreciation rates used by the Company.

RESPONSE:

IRS publication 946 is available at the following link:

<https://www.irs.gov/publications/p946>

2-23. Refer to the Company's response to CA1-40 regarding purchased water either from the Company's supplier and from their own wells. The Company's reply appears to be non-responsive. For the water purchased from the Company's supplier, either provide a copy of the monthly bills supporting the usage or obtain a report from the supplier that provides this information. For water supplied from the Company's own wells, provide a copy of the internal report used by the Company to aggregate this information.

RESPONSE:

Please see attachment in response to DR #2-14. The Month End Reads tab is the summary report of month end reads performed by the Company on Well 1, Well 2, and the Gatlinburg interconnect. Gatlinburg's billing cycle for TWS is approximately mid-month and therefore does not provide for calendar month volumes.


2-24. Refer to the Company's response to CA1-48 and CA1-49 regarding the calculation of the allocation factors for the Shared Service (0.07%) and Tennessee Leadership (0.31%) in Schedule I for the salary and wages forecasts. The Company's reply to both of these requests appears to be non-responsive. Provide the requested information showing the development of these allocation factors along with the source and support for all information relied upon for these calculations.

RESPONSE:

Please see enclosed folder DR 2.24. The excel file labeled 2.24A shows the company ERC count report as of August 2018. This report was used as the basis to calculate the TWS allocation percentage of 0.07%. Column V of this report shows the ERC count per subsidiary for all Utilities Inc. operating companies. The summary tab shows the development of the allocation percentage. Please note the ERC count report is also summarized with the resulting 0.07% calculation in response to DR #1-36, ERC data tab.

The Excel file labeled 2.24B shows the development of 0.31% shown on the Tennessee Leadership tab of Schedule I. The development of this allocation also relies on ERC counts. The file will only show an allocation methodology for Dante DeStefano (FP&A Manager). However, Bryce Mendenhall (VP of Operations) as well as the President role (vacant at the time of filing) also operates in a regional leadership capacity for both North Carolina and Tennessee and as such were assigned the same allocation percentage as Mr. DeStefano.

Respectfully submitted,

By: 
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CERTIFICATE OF SERVICE

I hereby certify that on April 12, 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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