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September 13, 2019

**VIA ELECTRONIC FILING**

[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

Hon. Robin L. Morrison, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utilities Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

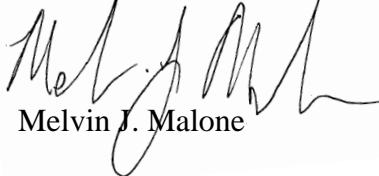
**RE: *Expedited Petition of Sontara Old Hickory, Inc. for Approval of an Asset Purchase Agreement and for the Issuance of a Certificate of Convenience and Necessity, TPUC Docket No. 19-00071***

Dear Chairman Morrison:

Please find enclosed for filing Sontara's response to the Consumer Advocate's first set of discovery requests. As required, an original of this filing, along with four (4) hard copies, will follow. Please note that Attachments A and B to this response are being submitted **UNDER SEAL** as **CONFIDENTIAL and PROPRIETARY**. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

MJM:mcb

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BUTLER SNOW LLP

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

**IN RE:**

<b>EXPEDITED PETITION OF SONTARA</b>	<b>)</b>	
<b>OLD HICKORY, INC. FOR APPROVAL</b>	<b>)</b>	
<b>OF THE ACQUISITION OF THE SYSTEM</b>	<b>)</b>	
<b>AND FOR THE ISSUANCE OF A</b>	<b>)</b>	<b>DOCKET NO. 19-00071</b>
<b>CERTIFICATE OF PUBLIC</b>	<b>)</b>	
<b>CONVENIENCE AND NECESSITY</b>	<b>)</b>	

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**SONTARA OLD HICKORY, INC.'S RESPONSES TO  
FIRST DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE**

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Sontara Old Hickory, Inc. ("Sontara"), by and through counsel, hereby submits its Responses to the First Discovery Requests propounded by the Consumer Advocate Unit in the Financial Division of the Attorney General's Office ("Consumer Advocate").

**GENERAL OBJECTIONS**

1. Sontara objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.

2. Sontara objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission ("TPUC" or "Authority").

3. The specific responses set forth below are based on information now available to Sontara, and Sontara reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. Sontara objects to each request to the extent that it is unreasonably cumulative or duplicative, speculative, unduly burdensome, irrelevant or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. Sontara objects to each request to the extent it seeks information outside Sontara's custody or control.

6. Sontara's decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of Sontara's General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. Sontara objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome, and exceed the scope of permissible discovery.

8. Sontara objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. Sontara does not waive any previously submitted objections to the Consumer Advocate's discovery requests.

### DISCOVERY RESPONSES

- 1-1. What depreciation rates does Sontara believe appropriate for newly acquired/constructed assets?

**RESPONSE:** In response to this request, please see *Petition* CONFIDENTIAL Exhibit I, page 11, lines 21-23. For Depreciation Rates, Sontara's intent is to depreciate the newly acquired non-land assets on a five year straight line basis. This short schedule is due to the very advanced age of the System. As will be the case with any asset with a significant age, there will be additional potential need for refurbishment work, above and beyond normal maintenance, and extending the life of the asset. This is anticipated for these water services assets. So, for those anticipated projects, Sontara intends to depreciate any new assets on a five year straight line basis.

For more context, the rates for the customers are set based on contracts that specify a pass-through of actual, expensed costs, plus a depreciation charge. However, the majority of the investment cost assignment is associated with the Filtered Water plant. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 1-2. How does Sontara intend to charge any new customers added to the system?

**RESPONSE:** In its *Petition*, Sontara proposed a service area encompassing the DuPont Campus. After discussions with the Consumer Advocate's Office and upon further reflection, Sontara will request, via supplemental testimony, for its proposed

service area with respect to the *Petition* to be limited to only the customers that it will serve post-closing, as set forth in the *Petition*. Should the Commission approve such limited service area and a new customer approaches Sontara and requests service in the future, Sontara would be required to request approval to serve such new customer(s) from the Commission, via an expansion of its then-existing service area.

- 1-3. Provide a complete explanation and supporting calculations for the assignment of the portion of the total purchase price to Sontara's utility operations.

**RESPONSE:**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]



- 1-4. Provide copies of monthly statements provided by DuPont to Sontara for the provision of water/wastewater services for the period August 2018 through the most recent information available.

**RESPONSE:** See **CONFIDENTIAL Attachment A – Response to 1-4**, submitted **UNDER SEAL AS CONFIDENTIAL AND PROPRIETARY**, which includes monthly DuPont utility invoices.

- 1-5. Provide copies of monthly statements provided by DuPont and issued to its other customers, including but not limited to those received in the due diligence phase of the acquisition.

**RESPONSE:** Sontara objects to this request to the extent it seeks information outside of Sontara's custody or control. Sontara does not possess or have control of any monthly statements provided by DuPont to customers other than those statements provided to Sontara. Notwithstanding its objection, and in the spirit of cooperation, Sontara responds as set forth below.

To the best of Sontara's knowledge, we understand that DuPont's principles for billing for all DuPont customers are essentially the same as is the case for Sontara. We do know the billing allocation and methodology to Sontara, but not necessarily the details for the other service recipients. However, since only Fiberweb as well as Sontara, receives Filtered Water, and Sontara is 89% of that, the billing for Fiberweb might reasonably be projected, based on a multiplication of the Fees to Sontara by a factor of: Sontara Bill/0.89 X 0.11. Fiberweb and Sontara are the vast majority of the Wastewater handling load, and similar extrapolations can be calculated on Sontara's percentage and fee.

- 1-6. Provide a detailed description of all due diligence activities performed by Sontara in its acquisition of the DuPont water/wastewater system.

**RESPONSE:** Sontara objects to this request to the extent it seeks the identification of “all” such information. Notwithstanding its objection, and in the spirit of cooperation, Sontara responds as set forth below:

In response to this request, please see *Petition* CONFIDENTIAL Exhibit I, page 9, lines 5 – 11. Moreover, Sontara’s principle due diligence efforts are outlined as follows:

- Sontara Engineering personnel performed an internal review of the condition of the mechanical equipment.
- Estimate of costs to operate are based on costs as reported by DuPont under our service agreements. Further details were analyzed internally by Sontara personnel based on knowledge of and experience with these services and the systems. This included analyses of actual fixed cost details provided by DuPont. From these analyses, a pro forma cost spreadsheet was compiled. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- A thorough internal review of the [REDACTED]  
[REDACTED]
- Sontara also conducted interviews with regulatory authorities, such as [REDACTED], the US Army Corps of Engineers, and Nashville Metro Water Services.



- 1-7. Discuss the extent to which Sontara is acquiring any i) known and ii) unknown environmental liabilities.

**RESPONSE:**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 1-8. On page 11 of its *Petition*, Sontara requests TPUC to “[a]pprove accounting and rate base treatments that reflect the full Purchase Price for the System, plus ensure future rate base determinations will be consistent with the value of the full Purchase Price.” Provide a comprehensive discussion justifying Sontara’s request to lock the full purchase price into

future ratemaking proceedings. If Sontara elects to file a general rate case in the future, would Sontara seek to use the full purchase price to establish rate base?

**RESPONSE:** No. Sontara's scope of service supply will be limited only to the current customers, which each have service agreements that specify what the service rate will be. The only component of the determination of that rate, that has any linkage to purchase price, is a pass-through of depreciation costs associated with the allocation of purchase price to the assets involved with the service. The only potential change in rates, in the future, will be associated with any new investments required to keep the service sustainable, and what added depreciation cost would come from those new investments.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 1-9. Is Sontara willing to forego its request to "[a]pprove accounting and rate base treatments that reflect the full Purchase Price for the System, plus ensure future rate base determinations will be consistent with the value of the full Purchase Price" for purposes of resolving this Docket and instead address this issue in a future docket?

**RESPONSE:** Yes, Sontara is willing to forego its request to "[a]pprove accounting and rate base treatments that reflect the full Purchase Price for the System, plus ensure future rate base determinations will be consistent with the value of the full Purchase Price" for purposes of resolving this Docket and instead addressing in a future docket if needed.

1-10. To the extent known, provide the vintage of all system assets with a value of more than \$50,000.

**RESPONSE:** Please see **CONFIDENTIAL Attachment B - Response to 1-10**, submitted **UNDER SEAL AS CONFIDENTIAL AND PROPRIETARY**. Sontara does not have a complete listing of the requested information. In the spirit of cooperation, Sontara has developed a chart in an attempt to be responsive. Even still, it should be noted that **CONFIDENTIAL Attachment B – Response to 1-10** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1-11. Provide a budget and supporting documents for the next five years of any upgrades or replacements Sontara anticipates may be made to the system.

**RESPONSE:** Please see **Attachment C – Response to 1-11**, which includes a Reinvestment Estimate and Timing Chart.

1-12. Does Sontara agree that for purposes of determining rate base, the majority of the system assets are fully depreciated? If not, provide a comprehensive discussion.

**RESPONSE:** DuPont was the original owner and investor in the Systems. It is our understanding that a large part of these assets is fully depreciated on the DuPont books.

But a recent upgrade investment has just completed, which will add new depreciation base.

Further, in water services operations, as well general industrial operations, asset sales are frequently made, for negotiated sales prices, well above the book value at the time of sale, under a negotiated process.

- 1-13. Provide the contracts (or the most current drafts if not yet executed) Sontara has negotiated with the two current customers of the system.

**RESPONSE:**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 1-14. Provide, or estimate if necessary, the extent to which environmental liabilities factor into the purchase price of the system.

**RESPONSE:**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1-15. Will Sontara assume all future liabilities related to currently unknown environmental liabilities or will it seek to recover any costs associated with these liabilities from customers?

**RESPONSE:** Sontara objects to this request to the extent it seeks the identification of “all” such information. Notwithstanding its objection, and in the spirit of cooperation, Sontara responds as set forth below.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1-16. Does Sontara seek from the Commission an exclusive territory for the CCN it requests in this Docket?

**RESPONSE:** Yes. In its *Petition*, and as will be modified consistent with the Response to 1-2 above, Sontara is seeking a Certificate of Public Convenience and Necessity, with its accompanying privilege and franchise, with respect to the proposed service area.

1-17. How does Sontara propose its legal costs associated with this Docket should be treated? If it proposes to recover all or part of these costs from customers, provide copies of all bills and/or invoices.

**RESPONSE:** Sontara does not intend to pursue recovery for the legal costs associated with this acquisition either in this Docket or at any later time.

- 1-18. Refer to Tenn. Code Ann. § 6-51-301(a)(1). Has Sontara held discussions with Nashville Metro Water Services concerning Sontara's request in this Docket for a CCN from the Commission? If so, provide any letters, memoranda of understanding, or other documents in Sontara's possession from Nashville Metro Water Services memorializing an agreement and indicating that Nashville Metro Water Services does not intend to dispute Sontara's request for a CCN.

**RESPONSE:** Yes, Sontara and Nashville Metro Water Services discussed Sontara's desire and intent to pursue a CCN from the Commission to serve the proposed service area. In response to this request, please see *Petition* Exhibit H, which expressly confirms that Nashville Metro Water Services does not provide service to the proposed service area and does not intend on providing service to the proposed service area, and thus does not oppose Sontara's request for a CCN. *See also Petition* CONFIDENTIAL Exhibit I, page 7, lines 12-17. Additionally, per the *Petition's* Certificate of Service, Scott Potter of Nashville Metro Water Services was also served with a copy of the Public Version of the *Petition*.

Respectfully submitted,

BUTLER SNOW LLP



By: \_\_\_\_\_

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*Counsel for Sontara Old Hickory, 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:

Daniel P. Whitaker III

Karen H. Stachowski

Office of the Tennessee Attorney General

Financial Division, Consumer Advocate Unit

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This the 13<sup>th</sup> day of September, 2019.



\_\_\_\_\_  
Melvin J. Malone

# **ATTACHMENT A - RESPONSE TO 1-4**

## **PUBLIC VERSION**





# **ATTACHMENT B - RESPONSE TO 1-10**

**PUBLIC VERSION**



## **ATTACHMENT C - RESPONSE TO 1-11**

Asset Item	Asset Group	5 Year Reinvestment Needs	Additional, 10 Year Reinvestment Needs
All - All Water Services	All Water Services Systems		
All - Filtered Water Supply	Filtered Water Supply System		
Intake Structure at the lakefront	Filtered Water Supply System	\$40,000	\$50,000
Intake and Transfer Raw Water (RW) Pumps	Filtered Water Supply System	\$0	\$0
Transfer Piping, RW to Filtered Water Plant (FWP)	Filtered Water Supply System	\$0	\$0
FWP - Building, Basin Structures, etc.	Filtered Water Supply System	\$1,600,000	\$1,400,000
FWP - Vessels, Filtration Units	Filtered Water Supply System	\$0	\$0
FWP - Misc Mechanical Equipment, Pumps, Piping, etc.	Filtered Water Supply System	\$500,000	\$500,000
FWP - Electrical Power Distribution	Filtered Water Supply System	\$0	\$0
FWP - Control System	Filtered Water Supply System	\$0	\$0
Transfer Piping, FWP to water users	Filtered Water Supply System	\$210,000	\$200,000
All - Fire Water Supply	Fire Water System		
Fire Water Tank	Fire Water System	\$0	\$0
Fire Water Distribution, Pumps and Piping	Fire Water System	\$0	\$0
All - Discharged Water Management	Discharged Water Management System		
Waster Water Treatment Plant (WWTP) - Basin Structures	Discharged Water Management System	\$0	\$0
WWTP - Misc Mechanical Equipment, Pumps, etc.	Discharged Water Management System	\$100,000	\$100,000
WWTP - Input Piping	Discharged Water Management System	\$100,000	\$100,000
WWTP - Discharge Piping	Discharged Water Management System	\$0	\$0
Storm Water Collection Piping	Discharged Water Management System	\$50,000	\$50,000
Site Retention Basin, Discharge Structures, Piping at Lake	Discharged Water Management System	\$0	\$0
Site Retention Basin, Earthen Dam	Discharged Water Management System	\$0	\$0
All - Sanitary Sewer Piping, Lift Stations	Sanitary Sewer System	\$0	\$0
Overall Total		\$2,600,000	\$2,400,000