

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:)
)
JOINT PETITION OF TENNESSEE)
WASTEWATER SYSTEMS, INC. AND) Docket No. 20-00009
TPUC STAFF (AS A PARTY) TO INCREASE)
RATES AND CHARGES)
)

PETITION TO INTERVENE

Herbert H. Slatery III, Attorney General and Reporter for the State of Tennessee, by and through the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (Consumer Advocate), pursuant to Tenn. Code Ann. § 65-4-118, respectfully petitions the Tennessee Public Utility Commission (TPUC or Commission) to grant the Consumer Advocate's intervention into this proceeding because consumers' interests, rights, duties or privileges may be determined or affected by the *Joint Petition of Tennessee Wastewater Systems, Inc. and TPUC staff (as a Party) to Increase Rates and Charges (Joint Petition)* filed in this TPUC Docket by Tennessee Wastewater Systems, Inc. (Company) and Party Staff.¹ For cause, the Consumer Advocate would show as follows:

1. The Consumer Advocate is authorized by Tenn. Code Ann. § 65-4-118 to represent the interests of Tennessee consumers of public utility services by initiating and intervening as a party in any matter or proceeding before the Commission in accordance with the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 *et seq.*, and TPUC rules.

¹ In a memorandum filed in this Docket, TPUC Party Staff are identified as Ryan McGehee, Joe Shirley, Michelle Mairs, Kevin McClenathan, and Darlene Standley. *Designation of Staff Participating as a Party*, TPUC Docket No. 20-00009 (January 23, 2020).

2. The Company is a public utility regulated by the Commission and provides wastewater service to approximately 3,000 customers in Tennessee. The Company's principal office is located in 851 Aviation Parkway, Smyrna, Tennessee 37167.

3. The Company and Party Staff filed this *Joint Petition* with supporting testimony on January 31, 2020.

4. The Company and Party Staff are proposing a rate increase because the Company is "projected to experience a net operating loss of \$105,550 for the Twelve-Month Attrition Period Ending December 31, 2020. Using the operating margin method to establish a fair margin of 10.0%² of operating expenses, TWSI is projected to incur a revenue deficiency of \$449,198 during the Attrition Period absent any rate relief. The Parties propose to eliminate this revenue deficiency by increasing the monthly base rates for providing wastewater services and decreasing the monthly escrow charges reserved for capital expenditures."³

5. In establishing rates designed to achieve the Party's Staff's recommended revenue deficiency, the Company and Party Staff propose the following changes:

- a. Residential Customers. Base Rates will increase between 19.0% to 21.3%. To mitigate the increase in Base Rates, the Company and Party Staff propose to decrease Escrow Charges from between 35.8% to 52.8%. The result is a Combined Rate (Base Rate and Escrow Charge) increase of 8.2% for Residential Customers.
- b. Commercial Customers without Food Service. Base Rates will increase between 21.6% to 25.2%. To mitigate the increase in Base Rates, the Company and Party Staff propose to decrease Escrow Charges from between 37.8% to 50.6%. The result is a Combined Rate (Base Rate and Escrow Charge) increase of 8.5% to 8.8%

² The Company's existing Commission approved Operating Margin is 6.5%. *Order Approving Revised Settlement Agreement*, p.4, TPUC Docket No. 08-00202 (July 8, 2009).

³ *Joint Petition*, p. 2, ¶ 4.

for Commercial Customers without Food Service.

- c. Commercial Customers with Food Service. Base Rates will increase between 21.6% to 24.6%. To mitigate the increase in Base Rates, the Company and Party Staff propose to decrease Escrow Charges from between 40.0% to 49.0%. The result is a Combined Rate (Base Rate and Escrow Charge) increase of 8.5% to 8.8% for Commercial Customers with Food Service.

- d. Commercial Cabin Customers. Rates will now be designed based upon the square footage of a customer's cabin, as recorded in the county's Register of Deed's office, rather than estimated amount of wastewater generated in gallons per day.

6. To offset the decrease in funding for the Escrow Accounts, the Company and Party Staff propose to "record all payments received from all developers from all sources and for all purposes as CIAC [contribution in aid of construction]. The Parties further propose all such amounts recorded as CIAC shall be held in reserve and earmarked for capital projects unless otherwise permitted by the Commission."⁴ The Company and Party Staff note that their proposal conflicts with the Commission's directive in TPUC Docket No. 16-00015 which orders the Company to record per lot capacity development fees received from developers pursuant to contract as "contributions in aid of construction pursuant to Account No. 271 for Class A Wastewater Utilities published by the National Association of regulatory Utility Commissioners" and to record "per-lot fee for all lots presented for final plat signing . . . as 'guaranteed revenues' pursuant to Account No. 530 of the same Uniform System of Accounts."⁵ The Commission's

⁴ *Joint Petition* at p. 5, ¶ 7. Also, the Company and Party Staff "propose that use of such CIAC reserves shall be governed by the same procedures for use of escrow funds as set forth in TPUC Rule 1220-04-13-.07(7) unless otherwise ordered by the Commission." *Id.*

⁵ *Order Affirming and Clarifying Previous Order*, p. 3, TPUC Docket No. 16-00015 (January 10, 2017).

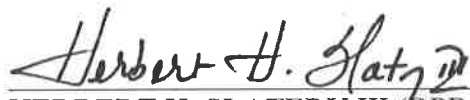
directive from TPUC Docket No. 16-00015 to the Company was confirmed by the Commission in TPUC Docket No. 16-00139⁶ and by Commission Staff in TPUC Docket No. 18-00071⁷.

7. The interests of consumers, including without limitation the amount of the proposed increase in rates to be paid by the Company's consumers, the proposed operating margin, the decrease in funding for the Escrow Account and the change in the accounting treatment of Developer Income under the *Joint Petition*, may be affected by determinations and orders made by the Commission with respect to (a) the interpretation, application, and implementation of Tenn. Code Ann. § 65-5-103(a), and other relevant statutory and regulatory provisions, and (b) the review and analysis of the Company's documentation, financial spreadsheets, and materials.

8. Only by participating as a party to this proceeding can the Consumer Advocate adequately carry out its statutory duty to represent the interests of Tennessee consumers.

Wherefore, the Consumer Advocate requests the Commission grant this *Petition to Intervene*.

RESPECTFULLY SUBMITTED,



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⁶ *Final Order Denying Petition*, pp. 10-12, TPUC Docket No. 16-00139 (November 2, 2017).

⁷ *Notice of Filing by the Utilities Division of the Tennessee Public Utility Commission*, pp. 6-7, TPUC Docket No. 18-00071 (July 12, 2018).

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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 20th day of February, 2020.

Karen H Stachowski
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