

BUTLER | SNOW

August 18, 2020

**VIA ELECTRONIC FILING**

Hon. Kenneth C. Hill, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

**RE:** *Joint Petition of Tennessee-American Water Company and Thunder Air, Inc. D/B/A Jasper Highlands Development, Inc. for the Approval of an Asset Purchase Agreement and for the Issuance of a Certification of Convenience and Necessity;*  
Docket No. 20-00011

Dear Chairman Hill:

At the request of the Consumer Advocate, and in the spirit of cooperation, please find attached for filing *Tennessee-American Water Company and Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc. 's Second Supplemental Response to the Second Discovery Requests of the Consumer Protection and Advocate Division for Discovery Request 2-4, 2-6, 2-7, 2-8, 2-9, 2-11, 2-13, 2-15, 2-17, and 2-19.* in the above-captioned matter. Please note that the response and the attachment to Supplemental DR 2-11 are **CONFIDENTIAL** and being submitted **UNDER SEAL** as **CONFIDENTIAL AND PROPRIETARY**.

As required, one (1) hard copy will be mailed to your office. 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

Attachment

cc: Elaine Chambers, TAWC  
William H. Horton, Thunder Air, Inc.  
Daniel Whitaker, Consumer Advocate Unit

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BUTLER SNOW LLP

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

**JOINT PETITION OF TENNESSEE-  
AMERICAN WATER COMPANY, AND  
THUNDER AIR, INC. D/B/A JASPER  
HIGHLANDS DEVELOPMENT, INC.  
FOR APPROVAL OF AN ASSET  
PURCHASE AGREEMENT AND FOR  
THE ISSUANCE OF A CERTIFICATE  
OF CONVENIENCE AND NECESSITY** )  
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**DOCKET NO. 20-00011**

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**TENNESSEE-AMERICAN WATER COMPANY’S SECOND SUPPLEMENTAL  
RESPONSE TO SECOND DISCOVERY REQUESTS OF  
THE CONSUMER ADVOCATE**

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Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Second Supplemental Response to the Second Discovery Requests propounded by the Consumer Advocate Unit in the Financial Division of the Attorney General’s Office (“Consumer Advocate”).

**GENERAL OBJECTIONS**

1. TAWC 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. TAWC 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 TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

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

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

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
SUPPLEMENT TO SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-4. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 7 of this spreadsheet which provides the projected monthly usage per customer for the base year as well as forecasted years 1 through 5. The Company's forecast reflects a declining customer usage of 1.8% per year for forecasted years 1 through 5. Provide the source and support for this declining use factor of 1.8%.

**Response:**

The Company's forecast of a declining customer usage factor of 1.8% per year for forecasted years 1 through 5 is a reasonable estimate.

**Supplemental Response:**

To protect life's most precious resource, TAW promotes water conservation. Additionally, more and more homes, especially newer construction, utilize smart water devices. As a result, each year our customers use less and less water. Over the period 2012-2018, TAW weather normalized usage has declined 1.3% annually. Over that same period, actual TAW usage declined 1.6%. Since the Jasper Highland community is all new construction with likely a higher amount of water smart devices, our conservative planning assumption was we would experience a slightly more elevated annual decline, as compared to what we've historically experienced in the rest of our system. For the purposes of these projections, our conservative estimate – our reasonable estimate - does not change the materiality of the overall analysis. Please see TAWC Response to Supplement DR 2-4 TAWC'S ANNUAL USAGE DATA ATTACHMENT.

TAWC Response to Supplement DR 2-4 TAWC'S ANNUAL USAGE DATA ATTACHMENT

	<b>Actual</b>		<b>Weather Normalized</b>	
	<b>Residential Usage</b>	<b>YOY Change</b>	<b>Residential Usage</b>	<b>YOY Change</b>
2012	4,173	-2.1%	4,162	-0.9%
2013	3,864	-7.4%	4,111	-1.2%
2014	3,949	2.2%	4,060	-1.2%
2015	3,983	0.9%	4,009	-1.3%
2016	4,199	5.4%	3,958	-1.3%
2017	3,808	-9.3%	3,907	-1.3%
2018	3,787	-0.6%	3,856	-1.3%
	avg	<b>-1.6%</b>		

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
SUPPLEMENT TO SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-6. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 15 of this spreadsheet, which provides the projected "QIP" revenue for the base year as well as forecasted years 1 through 5. Provide the source and support for the Company's assumption of a 3.5% "QIP" rate to be applied to base year revenues as well as the annual 3.5% escalation of this rate in forecasted years 1 through 5.

**Response:**

The Company's projection of a 3.5% "QIP" rate is based upon the Company's experience of investments, as submitted to and approved by the Commission, pursuant to the Capital Recovery Riders.

**Supplemental Response:**

Please see attached TAWC Response to Supplemental DR 2-6 ATTACHMENT. This table was submitted by TAWC Witness Elaine K. Chambers with her pre-filed testimony in TPUC Docket No. 19-00105. The attachment supports TAWC's projected QIP rate of 3.5% in its original response to DR 2-6.

**Table 1**  
**Cumulative Impact of Capital Recovery Riders**  
**Tennessee American Water Company**

<b>TPUC Docket No.</b>	<b>Effective Date</b>	<b>Annual Percentage Increase in Capital Recovery Riders</b>	<b>Capital Recovery Riders Cumulative Total</b>	<b>Total Increase to Chattanooga Average Monthly Bill</b>	<b>Average Chattanooga Monthly Bill*</b>	<b>Monthly Increase in Total Bill</b>	<b>Increase from Previous Bill</b>
12-00049	11/1/2012				\$ 21.56		
13-00130	4/15/2014	1.080%	1.080%	\$ 0.23	\$ 21.79	\$ 0.23	1.080%
14-00121	6/30/2015	4.640%	5.720%	\$ 1.23	\$ 22.79	\$ 1.00	4.590%
15-00111	3/15/2016	4.660%	10.380%	\$ 2.24	\$ 23.79	\$ 1.00	4.408%
16-00126	3/14/2017	3.570%	13.950%	\$ 3.01	\$ 24.56	\$ 0.77	3.234%
17-00124	4/10/2018	2.480%	16.430%	\$ 3.54	\$ 25.10	\$ 0.53	2.18%
18-00120	9/1/2019	2.750%	19.180%	\$ 4.13	\$ 25.69	\$ 0.59	2.36%
TCJA Offset	9/1/2019	-6.620%	12.560%	\$ 2.71	\$ 24.26	\$ (1.43)	-5.69%
19-00XXX	1/1/2020	5.030%	24.210%	\$ 5.22	\$ 26.78	\$ 1.09	4.49%
TCJA Offset	1/1/2020	-6.620%	17.590%	\$ 3.79	\$ 25.35	\$ 1.09	4.48%

\* The purpose of this table is to aid in the the overall view of the impact of the Capital Recovery Riders and does not include reconciliaitions and the PCOP.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
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CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-7. Refer to the "P&L" tab of the Excel Spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 18 of this spreadsheet, which provides the projected "Cost of Sales" expense for the base year as well as forecasted years 1 through 5 and provide the following information:

- a. Describe in detail the Company's rationale for the base year formula for Cost of Sales of \$49,346. An analysis of this formula indicates that it is calculated using data for the nine months ended September 30, 2017, by first taking the total cost of sales (\$83,947.87) and then deducting water meter expense (\$58,050.00) and then dividing this total by total revenues (\$113,280.99), giving a cost of sales to revenue ratio of 22.86%. This percentage is then applied to the Company's base year and forecasted revenues and then increased by 6% for the base year and 2% for each of the forecasted years. Therefore, in your response, specifically explain why the Company is including "Water Administration Expense" in this calculation since it appears to be related to the management fees of Thunder Air/Jasper Highlands;
- b. Provide the source and support for the 6.0% annual inflation factor used in the Cost of Sales formula for the base year; and
- c. Provide the source and support for the 2.0% annual inflation factor used in the Cost of Sales formula for each of the forecasted years.

**Response:**

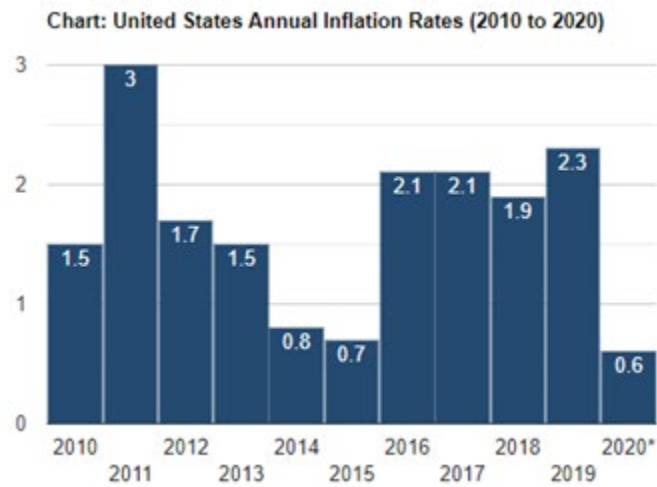
- a. The "Water Administration Expense" should not have been included.
- b. Since the data is 3 years old, the Company estimated the annual inflation factor by using the annual inflation factor from subsection (c) below of 2.0% and multiplying it by 3.



c. The 2% annual inflation is a reasonable estimate.

**Supplemental Response:**

Since some of the expense data we used for our financial analysis was dated, we adjusted for inflation to account for the use of this data, resulting in a more accurate view of expenses. The Company believes the 2.0% annual inflation factor is reasonable. As shown in the chart below, 2016-2018 the US inflation averaged 2.1%, 2.1% and 1.9% respectively.



Source: <https://www.usinflationcalculator.com/inflation/current-inflation-rates/>

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
SUPPLEMENT TO SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-8. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 19 of this spreadsheet, which provides the projected "Other O&M" expense for the base year as well as forecasted years 1 through 5. Provide the source and support for the TAWC Average expense per customer of \$126 as referenced in the "Notes" column of this spreadsheet.

**Response:**

Based on 2018 TAWC financials, a calculation was made using service company costs and certain O&M costs to reasonably estimate the potential additional costs associated with acquiring the System. Please see TAWC Response to DR 2-8 ATTACHMENT, which shows the 2018 O&M Expenses.

**Supplemental Response:**

The source and support for the 2018 actual O&M expenses totaling \$24,574,363 was provided in the response to DR 2-8. In the spirit of cooperation, please see TAWC Response to Supplemental DR 2-8 ATTACHMENT, which also contains the source and support previously provided.

To properly account for a reasonable estimate of other related expenses we might incur for high-level financial analysis, a rational approach, especially in a small non-contiguous system, was to apply an assumption based on customer count using TAW actuals. Using the straight math (i.e. unadjusted O&M expenses) on total non-production O&M expenses divided by customer account did not seem appropriate because it would overburden the System with too much expense. For example, acquiring Jasper Highlands would not increase TAW travel and entertainment costs. However, TAW would incur additional service company expense because those services are billed on a per customer basis. Therefore, a more reasonable approach was projected, which resulted in ~\$126 per customer rate and yielded an expense estimate of \$17,514 in Year 1. This is a reasonable estimate for a 139 customer System.

E26_Tennessee American
TradingPartner
USD
No_Project
Final
DECYTD
2018
Actual

**OPERATIONS & MAINTENANCE EXPENSE**

Purchased water	24,673
Fuel and Power	2,944,521
Chemicals	940,001
Waste disposal	387,654
<b>Total production costs</b>	<b>4,296,850</b>

Salaries & Wages	5,305,766
Pensions	137,005
Group insurances	1,116,541
Other benefits	423,984
<b>Total employee related</b>	<b>6,983,296</b>

**Service Company costs 6,711,892**

Contracted services	966,340
Building maintenance and services	200,461
Telecommunication expenses	190,979
Postage printing and stationery	25,228
Office supplies & expenses	190,747
Advertising & marketing expenses	67,091
Employee related expense travel & entertainment	181,542
Miscellaneous expenses	590,663
Rents	61,267
Transportation	285,244
<b>Operating supplies &amp; services</b>	<b>2,759,561</b>

Uncollectible Accounts Exp	731,793
Customer accounting other	870,746
Regulatory expense	301
Insurance other than group	583,509
Maintenance service & supplies	1,636,414

**Total operation and maintenance 24,574,363**

Depreciation	7,773,270
Amortization	57,408
Removal costs	541,024
<b>Depreciation and Amortization</b>	<b>8,371,703</b>
General taxes	5,072,012
Loss (gain) on sale of assets	11,714
<b>Total operation and maintenance</b>	<b>24,574,363</b>

<b>Operating income (loss)</b>	<b>14,737,716</b>
<b>OTHER INCOME (EXPENSE)</b>	
Interest on long-term debt	3,546,842
Interest on Short-Term Bank Debt	147,725
<b>Interest net</b>	<b>3,694,567</b>
<b>Nonoperating benefit costs, net</b>	<b>(442,291)</b>
Allowance for other funds used during construction	184,550
Allowance for borrowed funds used during constructi	150,025
Amortization of debt expense	87,463
<b>Other Net</b>	<b>(10,846)</b>
<b>Total other income (expenses)</b>	<b>(3,016,011)</b>
<b>Income (loss) before income taxes</b>	<b>11,721,705</b>
<b>Provision for income taxes</b>	<b>2,922,145</b>
<b>Net income (loss)</b>	<b>8,799,560</b>

**TENNESSEE AMERICAN WATER COMPANY  
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CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-9. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 20 of this spreadsheet, which provides the projected "General Taxes" expense for the base year as well as forecasted years 1 through 5. Provide the source and support for the application of a 1.00% factor applied to the net purchase price as a proxy for general taxes.

**Response:**

The 1.00% factor applied to the net purchase price is a proxy to represent the property tax that the Company will pay for the purchased assets. The factor is a reasonable estimate.

**Supplemental Response:**

Since TAW will be taking ownership of the System assets in the Jasper Highlands community, TAW will pay annual property taxes on the purchase price. The aggregate percentage for TAW is 1.4%. Since that percentage is heavily weighted towards Hamilton County (higher taxing jurisdiction), our working, reasonable assumption for Jasper Highlands was lowered to 1%. See the support below – TAWC's 2018 Total Property Tax Bill - underlying our reasonable estimate.

	m\$	
<b>YE 2018 Total Property Plant Equipment</b>	<b>\$</b>	<b>239.6</b>
<b>2018 Total Property Tax Bill</b>	<b>\$</b>	<b>3.4</b>
<b>composite average</b>		<b>1.4%</b>

# PUBLIC VERSION

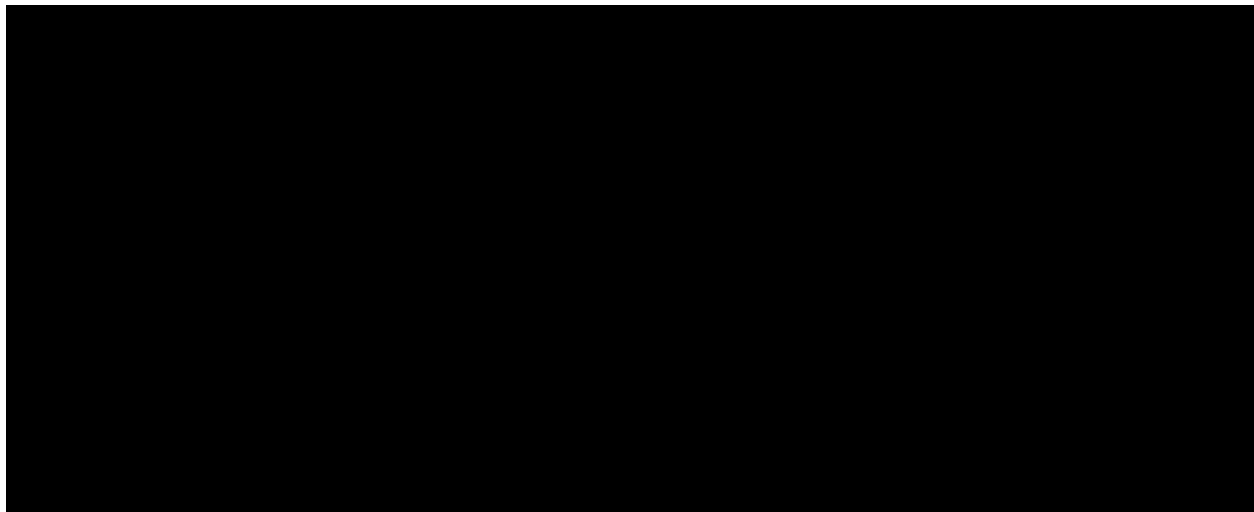
**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
SUPPLEMENT TO SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC and Dane Bradshaw, Thunder Air, Inc.

**Question:**

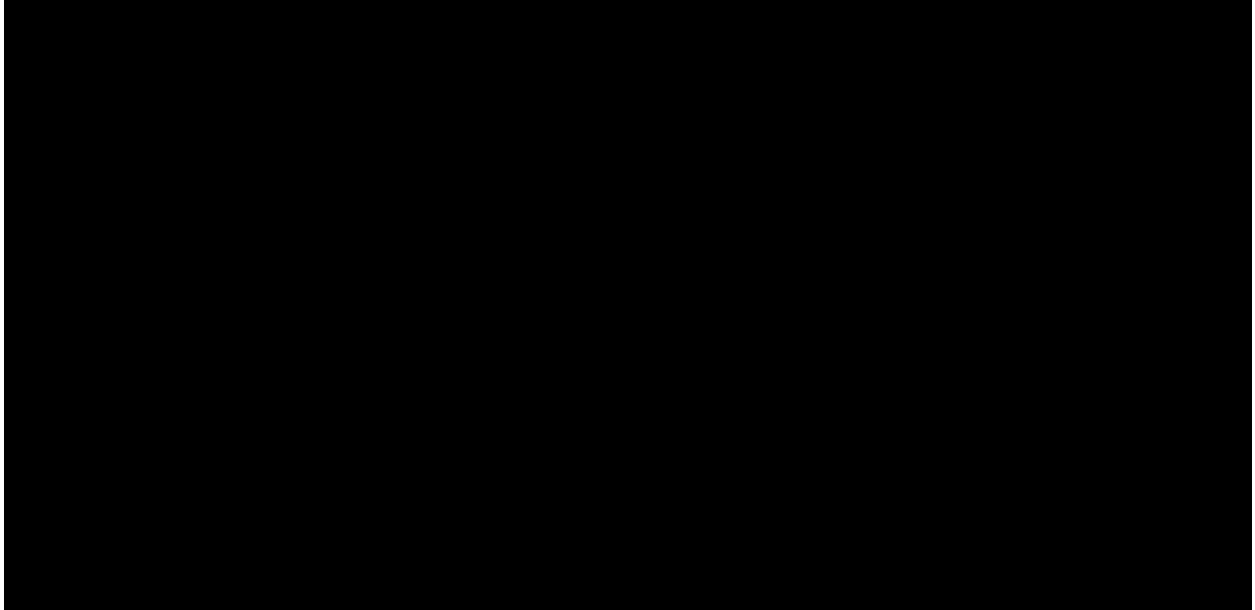
2-11. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Rows 8 and 9 which show Base Year values for utility plant and accumulated depreciation of \$6,663,619 and \$-290,875 respectively. Next, refer to the Excel spreadsheet attachment provided with the Company's response to CA Request No. 1-17, representing the "general ledger for the water system being transferred from Thunder Air to TAWC from inception through December 31; 2019." It appears that general ledger provided in response to CA Request No. 1-17 omits the plant accounts supporting the plant in service and related accumulated depreciation along with any deferred income taxes. Provide a copy of the Thunder Mountain/Jasper Highlands ledger from inception through December 31, 2019 for all accounts. In addition, reconcile the December 2019 balance from this ledger with the plant in service of \$6,663,619 and related accumulated depreciation of \$-290,875 as shown in the Company's response to CA Request No. 1-4 (Supplemental).

**Response:**



# PUBLIC VERSION

## **Supplemental Response:**





**PUBLIC VERSION**

**TAI RESPONSE TO SUPPLEMENTAL DR 2-11  
ATTACHMENT**

**TPUC Docket No. 20-00011**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
SUPPLEMENT TO SECOND DISCOVERY REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-13. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 10, which shows the Year 1 Accumulated Depreciation of \$-335,178. Provide the source and support for the 15-year life applied to the \$65,000 adjustment included in this value.

**Response:**

Please see page 8, ll 161-170 of the Pre-filed Direct Testimony of TAWC Witness Grady Stout, TPUC Docket No. 20-00011. The 15-year life applied to the \$65,000 is consistent with length of service for meters.

**Supplemental Response:**

The schedule provided in TAW's response to DR 2-10 shows depreciable life of 18 years for meters and our LOS of meters is 12 years. So, for planning purposes, we used a reasonable point within this range.

**TENNESSEE AMERICAN WATER COMPANY  
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CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Brian Queen, TAWC

**Question:**

2-15. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 40, which shows the projected deferred income taxes for the base year as well as forecasted years 1 through 5. Provide the source and support for the Company's use of a 3.0% factor as applied to total utility plant to compute the forecast of deferred income taxes.

**Response:**

The 3.0% factor is a reasonable estimate.

**Supplemental Response:**

At the request of the CA during discovery in March 2020, TAW produced and submitted a balance sheet for the System. As this balance sheet was prepared at the CA's request, it had no impact on the previous analysis of the System by TAW that led to the acquisition. To account for the differences in how depreciation expense is treated for book vs tax, we established an estimate for deferred taxes. 3% represents an approximation for the annualized depreciation expense differences for tax vs book. Assuming a 60-year life on book and a 20-25-year life for tax, difference in expenses is 2.3%-3.3% of UPIS. We used 3% as a reasonable estimate for planning purposes.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 20-00011  
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CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Elaine Chambers, TAWC (a and b) and Chelsea Garcia, Thunder Air, Inc.  
(c)

**Question:**

2-17. Refer to the "Comparison" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-10. Specifically, refer to the table titled "Jasper Highlands Water System-General Asset Listing" inserted in Cells D17 through H33 of this spreadsheet that results in a total of \$2,032,094.82 in "Total Soft Costs". Provide the following information related to this amount:

- a. Provide the Company's definition of "Soft Costs" that are included here;
- b. Provide the Company's rationale for including these "Soft Costs" as original cost plant in service; and
- c. Provide the source and support for each component of these "Soft Costs."

**Response:**

- a. The term "Soft Costs" is more routinely known in Plant Accounting records as "Overhead Costs."
- b. Overhead costs are embedded in each asset using appropriate allocations so that the asset cost includes all related direct and indirect costs before the asset is placed in service.
- c. The source of the soft cost information is from the records of Thunder Air, Inc. These costs are summarized in the "Comparison" tab. Supervision Cost consists of inspection and oversight expenses for contraction work related to Jasper Highlands Assets. Borrowing Costs are expenses related to interest costs associated with debt incurred to finance construction and other system costs. Entrepreneurial Profit are expenses associated with the contractual oversight and procurement of construction work. Capitalized Management Revenue are expenses associated with issuing equity debt for construction and other system costs.

**Supplemental Response:**

- c. Supervision costs were determined as follows: estimated annual supervision cost of \$100,000 per year x 6 years managed = \$600,000.

Borrowing cost was determined as follows: total hard costs of \$4,631,524.31 divided by 6 years managed = \$771,920.72 average cost per year. Average cost per year of \$771,920.72 times 12% average annual interest rate = \$92,630.49 of annual interest. Annual interest of \$92,630.49 times 3 years of outstanding debt = \$277,891.46.

Entrepreneurial Profit was calculated as follows: Hard costs of \$4,631,524.31 + \$600,000 Supervision costs + \$277,891.46 Borrowing costs = \$5,509,415.77. \$5,509,415.77 times 15% profit margin = \$826,412.37 Entrepreneurial profit.

**TENNESSEE AMERICAN WATER COMPANY  
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CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness:** Dane Bradshaw, Thunder Air, Inc.

**Question:**

2-19. Refer to the spreadsheet provided with the Company's response to CA Request No. 1-19 regarding lost and unaccounted-for water from January 2017 through December 2019, which results in the following total values for this 36-month period:

Metered Water Purchases (Gallons)	32,631,100
Metered Water Sales (Gallons)	21,641,181
Lost & Unaccounted-For Water Usage	10,989,919
Lost & Unaccounted-For Water Percentage	33.68%

Explain the cause of lost and unaccounted-for usage as well as the Company's plans to remedy it.

**Response:**

The “Lost and Unaccounted for Water Usage” column reflects Thunder Air’s need to flush the lines in phases two and three to keep chlorine levels high. Hotter months require the lines to be flushed more frequently. Additionally, this column reflects the need to fill and empty new lines several times when a new line is activated.

**Supplemental Response:**

Thunder Air, Inc. does not believe that the current level of Lost & Unaccounted-For Water will continue at the same 33.68% that was experienced from January 2017 through December 2019. The amount of water loss should decrease as construction of all the proposed lines are completed and put in service. A new water tank was completed during the above-referenced period and was put in service. Placing the new water tank in service required almost 807,000 gallons of water for draw-down testing, chlorination and flushing, which did not include all the water lines that were put in service during this time. As more homes and amenities are connected to the System, the amount of flushing required to keep the chlorine levels to an acceptable standard will decrease. We are already experiencing decreased flushing times in areas of the development where the density of homes and metered water use is higher.

Below is an estimate of the System’s Lost and Unaccounted-For Water rate for 2020, 2021 and 2022, including the assumptions and considerations.

2020: The current trend for 2020 at the six-month period from January to June is 5,456,000 gallons purchased with 4,649,000 gallons sold, with 806,250 used in the filling of new lines and flushing. This would result in a 14.78% loss in unbilled water use. We will have more lines coming into service this fall, and flushing should diminish with the cooler temperatures, maintaining the 14.78% loss or decreasing.

- 2021: We project that more houses will be constructed and should decrease the amount of flushing required in the older sections of the development. It is projected that over 20,000 linear feet of line will be added for this year. Estimated 10% loss in unbilled water.

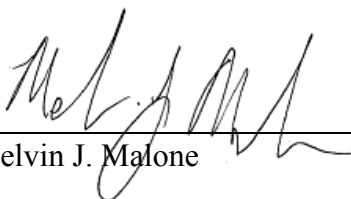
- 2022: We project that housing construction will continue to increase, which will result in continuing to decrease the required flushing times. It is estimated that the final 25,000 linear feet of water line will be brought into service. Estimated 8% loss in unbilled water due to flushing requirements and new lines. This percentage of unbilled water loss should continue to decrease even further in the following years, as all infrastructure is complete and metered water use continues to increase. Minimal water loss will be contributed to required flushing, fire department training and unforeseen line breaks.

## **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  
Assistant Attorney General  
Economic and Regulatory Section  
Financial Division, Consumer Advocate Unit  
Office of the Tennessee Attorney General  
War Memorial Building, 2nd Floor  
301 6th Avenue North  
Nashville, TN 37243  
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This the 18<sup>th</sup> day of August, 2020.

  
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Melvin J. Malone