

# TENNESSEE PUBLIC UTILITY COMMISSION



Andrew Jackson State Office Bldg.  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243-0001

Electronically Filed in TPUC Docket  
Room on July 11, 2023 at 1:12 p.m.

July 11, 2023

Ryan A. Freeman, Esq.  
Baker, Donelson, Bearman  
Caldwell & Berkowitz, PC p.m.  
Suite 1900 Republic Centre  
633 Chestnut Street  
Chattanooga, TN 37450

Sent via email  
rfreeman@bakerdonelson.com

Dear Mr. Freeman,

In Re: *Petition of Tennessee Water Service, Inc. to Adopt Annual Review Mechanism and Tariff Pursuant to Tenn. Code Ann § 65-5-103(d)(6).*

To assist the Commission in its ongoing investigation into the above referenced docket, it is requested that responses be provided to the attached *First Staff Data Request*.

Please provide all responses no later than 2:00 p.m. on Tuesday, July 25, 2023. Responses may be submitted electronically at [tpuc.docketroom@tn.gov](mailto:tpuc.docketroom@tn.gov) with one hard copy mailed to the Docket Manager at the Tennessee Public Utility Commission, 502 Deaderick Street, 4<sup>th</sup> Floor, Nashville, Tennessee 37243.

Please contact me at [David.foster@tn.gov](mailto:David.foster@tn.gov) or by phone at (615) 770-6884 should you have questions or need clarification of any requested item. Thanks for your attention to this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "David N. Foster".

David Foster, Director  
Utilities Division

C: Via email: [Tiffany.Vanhorn@uiwater.com](mailto:Tiffany.Vanhorn@uiwater.com)  
[Dante.Destefano@Carolinawaterservicenc.com](mailto:Dante.Destefano@Carolinawaterservicenc.com)  
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Docket Room

**Tennessee Water Service, Inc.**  
**Docket No. 23-00046**  
**First Staff Data Request**

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1. Please reference the Direct Testimony of Dante DeStefano, Exhibit 1, Section II.Y. “Cost Allocation Manual.” Provide a copy of the active Affiliate Interest Agreement for TWS.
2. Please reference the Direct Testimony of Dante DeStefano, page 11, line 12 through page 12, line 6, and Exhibit 2, Schedule B-3. State whether the proposed 20% Non-Revenue Water (NRW) adjustment will be applied to Historic Period Purchased Power, Purchased Water and Chemical Expenses for purposes of determining the Historic Period Excess or Deficiency Calculation. If the NRW adjustment will be applied to Historic Period expenses, please reference or provide a workpaper(s) that demonstrates this application. If the NRW adjustment will not be applied to Historic Period expenses for determining the Historic Period Excess or Deficiency Calculation, please explain how the proposed NRW adjustment limits the recovery of Purchased Power, Purchased Water and Chemical Expenses from ratepayers should NRW levels exceed the 20% threshold.
3. Please reference the Direct Testimony of Dante DeStefano, Exhibit 2, Schedule B, which shows total Maintenance Expenses of \$193,409 and total General Expenses of \$85,270, for a grand total of \$278,679; the 2022 Annual Report, Schedule W-3, which shows total Operations and Maintenance Expenses of \$279,679; and the December 2022 Quarterly 3.07 Report, which shows total Operations and Maintenance Expenses of \$279,900 (copies attached for convenience). Explain the basis of the different classification/aggregation of Operations and Maintenance expense line items among these reports, (e.g., Salaries and Wages for Exhibit 2, Schedule B, Line 20 is \$12,590; Salaries and Wages for the 2022 Annual Report, Schedule W-3 is (\$4,339); and Salaries and Wages for the December 2022 3.07 Quarterly Report is \$5,239).
4. For calendar years 2020, 2021 and 2022, please provide a schedule identifying the amount of “Salaries and Wages” and “Pension and Benefits” that are directly charged to the Tennessee jurisdiction and the amount of “Salaries and Wages” and “Pension and Benefits” that are allocated to the Tennessee jurisdiction. Please identify the amount of “Salaries and Wages” and “Pension and Benefits” that are capitalized for calendar years 2020, 2021 and 2022.
5. Please refer to the Direct Testimony of Dante DeStefano, Exhibit 2, Schedule B, and provide a schedule that maps/references each reported line-item description to the General Ledger account(s) that comprises each line-item amount for Historic Period per Books column [A].

6. Please refer to the Direct Testimony of Dante DeStefano, Exhibit 2, Schedule B, and provide a schedule showing the Historic Period per Books amounts for calendar years 2020 and 2021 in the same format and classifications as Exhibit 2, Schedule B.
7. Please refer to the following table of Operations and Maintenance Expenses reported on Schedule W-3 of the Company's Annual Reports:

Description	2022	2021	2020
<b>OPERATING EXPENSES</b>			
Salaries & Wages - Employees	(\$4,339)	\$24,164	\$21,472
Salaries & Wages - Officers, Directors	\$0	\$4,775	\$11,333
Employee Pensions & Benefits	6,294	1,759	2,893
Purchased Water	77,020	59,580	9,883
Purchased Power	403	12,201	31,619
Chemicals	1,000	3,757	2,246
Materials & Supplies	30,373	7,375	2,770
Contractual Services	149,618	84,946	12,222
Rents (Rental of building/real property)	-	2,098	2,049
Transportation Expense	625	(21)	3
Insurance Expense	2,137	4,487	4,503
Regulatory Commission Expense	12,578	20,161	27,161
Bad Debt Expense	5,059	1,156	590
Miscellaneous Expense	(1,090)	48,038	102,592
<b>Total O&amp;M Expense</b>	<b>279,678</b>	<b>274,476</b>	<b>231,336</b>

Provide a detailed explanation of the following:

- a. The decrease in Salaries and Wages from (i) 2020 to 2021 and (ii) 2021 to 2022;
- b. The decrease in Purchased Power from (i) 2020 to 2021 and (ii) 2021 to 2022;
- c. The increase in Contractual Services from (i) 2020 to 2021 and (ii) 2021 to 2022; and

- d. The decrease in Miscellaneous Expenses from (i) 2020 to 2021 and (ii) 2021 to 2022.
8. With regard to future filings, if the Commission approves the Company's proposed Annual Rate Review Mechanism (ARRM), please confirm whether the Company intends to file its annual and quarterly reports to the Commission using the same categories and classifications of financial information as presented in the ARRM schedules submitted each year. If the categories and classifications of financial information presented in the ARRM schedules substantially differ from the format of the annual and quarterly reports, does the Company intend to provide a line-by-line reconciliation of financial information between the ARRM schedules and related annual and quarterly reports? Please explain.
9. Please reference the Direct Testimony of Dante DeStefano, Exhibit 2, and provide the following schedules, as well as all supporting workpapers, in Excel format: A Rate Base; B Income Statement; C Annual True Up Reconciliation and Attrition Period Rate Reset; D Income Taxes; E Capital Structure and Retention Factor; F Rate of Return; A-1 Plant In-Service and Depreciation Expense; A-2 Accumulated Depreciation; A-3 Cash Working Capital; and A-6 CIAC and CIAC Amortization Expense.

Income Statement

Line No.	Description		Historic Period Per Books	Historic Period Adjustment	Historic Period As Adjusted	Attrition Period Adjustment	Attrition Period Under Present Rates	Proposed Increase/ (Decrease)	Attrition Period Under Proposed Rates
			[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	Operating Revenues								
2	Service Revenues - Water	B-1	474,590.70	-	474,590.70	81,730.30	556,321.00	23,465.58	579,786.58
3	Service Revenues - Sewer		-	-	-	-	-	-	-
4	Miscellaneous Revenues		4,012.21	-	4,012.21	4,206.32	8,218.53	346.66	8,565.19
5	Uncollectible Accounts		(999.74)	-	(999.74)	(289.49)	(1,289.23)	(58.39)	(1,347.62)
6	Total Operating Revenues		477,603.17	-	477,603.17	85,647.13	563,250.30	23,753.85	587,004.15
7	Maintenance Expenses								
8	Salaries and Wages		-	-	-	-	-	-	-
9	Purchased Power		12,908.33	-	12,908.33	3,725.05	16,633.38	-	16,633.38
10	Purchased Water / Sewer		64,111.84	-	64,111.84	8,308.19	72,420.03	-	72,420.03
11	Maintenance and Repair		31,921.97	-	31,921.97	62,440.02	94,361.99	-	94,361.99
12	Maintenance Testing		3,574.66	-	3,574.66	(201.09)	3,373.57	-	3,373.57
13	Meter Reading		-	-	-	-	-	-	-
14	Chemicals		403.24	-	403.24	2,774.60	3,177.84	-	3,177.84
15	Transportation		1.35	-	1.35	(9.11)	(7.76)	-	(7.76)
16	Operating Exp. Charged to Plant		(7,154.99)	-	(7,154.99)	-	(7,154.99)	-	(7,154.99)
17	Outside Services - Other		87,642.49	-	87,642.49	(22,472.73)	65,169.76	-	65,169.76
18	Total		193,408.89	-	193,408.89	54,564.93	247,973.82	-	247,973.82
19	General Expenses								
20	Salaries and Wages		12,590.16	-	12,590.16	-	12,590.16	-	12,590.16
21	Office Supplies & Other Office Exp.		2,350.70	-	2,350.70	2,483.66	4,834.36	-	4,834.36
22	Regulatory Commission Exp.	A-4	20,637.60	-	20,637.60	11,666.67	32,304.27	-	32,304.27
23	Pension & Other Benefits		782.39	-	782.39	2,188.77	2,971.16	-	2,971.16
24	Rent		2,186.00	-	2,186.00	854.60	3,040.60	-	3,040.60
25	Insurance		7,927.48	-	7,927.48	(210.78)	7,716.70	-	7,716.70
26	Office Utilities		2,684.37	-	2,684.37	(102.97)	2,581.40	-	2,581.40
27	Miscellaneous		36,111.20	-	36,111.20	(5,102.99)	31,008.21	-	31,008.21
28	Total		85,269.90	-	85,269.90	11,776.97	97,046.87	-	97,046.87
29	Annual True-Up Rate Adjustmer	C	-	-	-	7,436.21	7,436.21	-	7,436.21
30	Depreciation	A-1	44,111.52	-	44,111.52	11,430.19	55,541.71	-	55,541.71
31	Amortization of PAA		-	-	-	-	-	-	-
32	Payroll Taxes		684.20	-	684.20	-	684.20	-	684.20
33	Franchise Tax		4,752.00	-	4,752.00	2,057.89	6,809.89	-	6,809.89
34	Gross Receipts Tax		231.87	-	231.87	(6.40)	225.47	-	225.47
35	Property Taxes		(5,794.32)	-	(5,794.32)	13,046.48	7,252.16	-	7,252.16
36	Special Assessments		(126.08)	-	(126.08)	-	(126.08)	-	(126.08)
37	Utility/Commission Tax		1,917.14	-	1,917.14	455.42	2,372.56	-	2,372.56
38	Other General Taxes		-	-	-	-	-	-	-
39	Income Taxes - Federal	D	16,239.11	6,276.22	22,515.33	(3,035.81)	19,479.52	4,664.07	24,143.59
40	Income Taxes - State	D	7,426.00	515.17	7,941.17	(1,004.98)	6,936.19	1,544.00	8,480.19
41	Amortization of ITC		(49.00)	-	(49.00)	-	(49.00)	-	(49.00)
42	Amortization of CIAC	A-6	(15,567.33)	-	(15,567.33)	(24.37)	(15,591.70)	-	(15,591.70)
43	Total		53,825.11	6,791.39	60,616.50	30,354.63	90,971.13	6,208.07	97,179.20
44	Total Operating Expenses		332,503.90	6,791.39	339,295.29	96,696.52	435,991.82	6,208.07	442,199.88
45	Net Operating Income		145,099.27	(6,791.39)	138,307.88	(11,049.39)	127,258.49	17,545.78	144,804.27

COMPANY NAME: Tennessee Water Service, Inc.  
 QUARTER ENDING: December 31, 2022

## QUARTERLY REPORT OF REVENUES, EXPENSES AND, INVESTMENTS FOR WATER COMPANIES

Page 1 of 2

	Totals for Current Quarter		Year to Date Totals		For last 12-Months	
	This Year	Last Year	This Year	Last Year	This Year	Last Year
<u>Operating Revenues:</u>						
1-Residential Sales	120,469	111,599	474,486	437,002	474,486	437,002
2-Commercial Sales	0	0	0	0	0	0
3-Other Revenues	0	0	0	0	0	0
3a.-Other Revenues	0	0	0	0	0	0
3b.-Other Revenues	1,623	569	4,012	2,514	4,012	2,514
4-Total Operating Revenues (Line 1 through 3)	<u>122,092</u>	<u>112,168</u>	<u>478,498</u>	<u>439,516</u>	<u>478,498</u>	<u>439,516</u>
<u>Operation and Maintenance Expenses:</u>						
5-Salaries & Wages-Employees (601)	(83)	7,494	5,239	28,647	5,239	28,647
6-Salaries & Wages-Officers (603)	0	0	0	0	0	0
7-Employee Pensions & Benefits (604)	109	417	979	2,049	979	2,049
8-Purchased Water (610)	14,742	9,162	64,112	59,580	64,112	59,580
9-Purchased Power (615)	2,797	4,194	12,908	12,201	12,908	12,201
10-Fuel for Power Production (616)	0	0	0	0	0	0
11-Chemicals (618)	(774)	3,089	403	3,757	403	3,757
12-Materials and Supplies (620)	765	3,896	4,814	5,371	4,814	5,371
13-Contractual Services (630)	24,349	22,214	91,217	78,304	91,217	78,304
14-Rent Expense (640)	168	168	2,186	2,098	2,186	2,098
15-Transportation Expense (650)	2,952	1,427	10,733	5,229	10,733	5,229
16-Insurance Expense (655)	0	0	0	0	0	0
17-Advertising Expense (660)	0	0	0	1	0	1
18-Regulatory Commission Expense (665)	5,159	5,159	20,638	19,838	20,638	19,838
19-Water Resource Conservation Expense (668)	0	0	0	0	0	0
20-Bad Debt Expense (670)	172	(1,210)	1,000	1,156	1,000	1,156
21-Miscellaneous Expense (675)	18,964	15,729	65,672	55,920	65,672	55,920
22-Total Operation & Maintenance Expenses (Line 5 through 21)	<u>69,320</u>	<u>71,740</u>	<u>279,900</u>	<u>274,152</u>	<u>279,900</u>	<u>274,152</u>
22.1 - Depreciation Expense	7,280	6,991	28,544	27,868	28,544	27,868
23-Taxes Other Than Income (408)	1,033	14,143	1,665	21,582	1,665	21,582
24-Income Taxes (409)*						
25-Total Taxes (Lines 23 through 24)	<u>1,033</u>	<u>14,143</u>	<u>1,665</u>	<u>21,582</u>	<u>1,665</u>	<u>21,582</u>
26-Net Operating Income (Line 4-22&25)	<u>44,458</u>	<u>19,294</u>	<u>168,389</u>	<u>115,915</u>	<u>168,389</u>	<u>115,915</u>

Notes:  
 Supplemental base charge no longer in effect with Commission order effective January 1, 2020.

<b>Name of Respondent</b> TENNESSEE WATER SERVICE, INC.	<b>This Report is:</b> (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	<b>Date of Report</b> (Mo, Da, Yr) May 1, 2023	<b>Year of Report</b>  2022
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<b>WATER OPERATION &amp; MAINTENANCE EXPENSE</b>		
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<b>Acct No.</b>	<b>Description (a)</b>	<b>Amount (b)</b>
601	Salaries & Wages - Employees	(4,339)
603	Salaries & Wages - Officers, Directors & Stockholders	0
604	Employee Pensions & Benefits	6,294
610	Purchased Water	77,020
615	Purchased Power	403
616	Fuel for Power Production	0
618	Chemicals	1,000
620	Materials & Supplies	30,373
630	Contractual Services	149,618
640	Rents	0
650	Transportation Expense	625
655	Insurance Expense	2,137
665	Regulatory Commission Expense	12,578
670	Bad Debt Expense	5,059
672	Miscellaneous Expenses	(1,090)
	<b>Total Water Operation &amp; Maintenance Expense</b>	<b>279,679</b>

<b>WATER CUSTOMERS</b>				
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<b>Description (a)</b>	<b>Customers First of Year (b)</b>	<b>Additions (c)</b>	<b>Disconnections (d)</b>	<b>Customers End of Year (e)</b>
Metered Customers:				
5/8 Inch	332	40		372
3/4 Inch	0			0
1.0 Inch	2	0		2
1.5 Inch	1	0		1
2.0 Inch	5	0		5
2.5 Inch	0			0
3.0 Inch	0			0
4.0 Inch	0			0
6.0 Inch	0			0
8.0 Inch	0			0
Other (Please Specify)	0			0
Other (Please Specify)	0			0
Other (Please Specify)	0			0
Unmetered Customers	0			0
<b>Total Customers</b>	<b>340</b>	<b>40</b>	<b>0</b>	<b>380</b>