

**TENNESSEE WATER SERVICE, INC.  
DOCKET NO. 22-00046  
SECOND DISCOVERY REQUEST OF THE CONSUMER ADVOCATE**

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>TENNESSEE WATER SERVICE, INC.</b>	)	
<b>PETITION TO ADOPT ANNUAL</b>	)	<b>DOCKET NO. 23-00046</b>
<b>REVIEW MECHANISM AND TARIFF</b>	)	
<b>PURSUANT TO TENN. CODE ANN. § 65-</b>	)	
<b>5-103(d)(6)</b>	)	
	)	

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**TENNESSEE WATER SERVICE, INC.’S RESPONSES TO CONSUMER ADVOCATE’S  
SECOND SET OF DISCOVERY REQUESTS**

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Tennessee Water Service, Inc. (“TWS” or the “Company”), by and through counsel, hereby submits its Responses to the Second Set of Discovery Requests propounded by the Consumer Advocate Division of the Office of the Tennessee Attorney General (“Consumer Advocate”).

**GENERAL OBJECTIONS**

1. TWS 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. TWS 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 “Commission”).

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

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

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

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**2-1.** Refer to the Company's Response to Consumer Advocate DR No. 1-15. Provide a reconciliation of the estimated \$35,000 in ARM filing expenditures for this proceeding. This response should identify the source of each cost component comprising the estimate. If any such costs include outside attorney costs, include the estimated hours and billing rate comprising that portion of the estimate.

**RESPONSE:** The \$35,000 listed in response to DR No. 1-15 included the filing and travel related fees and legal expenses related to this proceeding. For attorney fees, this estimate was based on an assumption of approximately 80-100 hours of time at a rate of \$375/hr. for the Company's outside counsel. As well, this estimate included anticipated costs of printing, filing fees, and travel for hearing of approximately \$2,000-\$3,000.

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**2-2.** Identify the ARM filing expenditures incurred through July 31, 2023, by individual. This response should identify whether the individual is an employee or external contractor.

**RESPONSE: Please see below the expenses incurred for this filing through 7/31/2023.**

**Baker Donelson (Outside Counsel) - \$10,575.50**

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**2-3.** Assume future ARM filings result in annual regulatory related costs of \$35,000. Provide a comprehensive explanation discussing how an ARM mechanism with this level of annual costs distributed across a minimal customer base is in the public interest.

**RESPONSE: TWS does not agree that annual ARM filing costs should be assumed at \$35,000 going forward, as each filing will be relatively routine compared to the current docket and require less assistance from outside counsel. However, even assuming annual ARM filing costs are \$35,000, and assuming that TWS would require base rate cases every two years without an ARM due to the expected continued operational and customer changes, the Company believes the ARM would still be more economical. This conclusion is reached notwithstanding the various additional quantitative and qualitative benefits of the ARM versus a rate case path, as outlined by the Company in its Petition and Direct Testimony.**

**Please see below table below, which illustrates the impact of these assumptions. TWS has increased the approved deferred rate case costs from the 2019 rate case for the 2020-2022 inflation rates provided in response to CA DR #1-14e and used a two-year amortization, but does not consider potential rate base treatment of unamortized deferrals. This presumes any increase in legal counsel hourly rates higher than inflation are offset by a hypothetical rate case requiring fewer hearings (i.e., less hours by counsel) than the 2019 rate case. As the table indicates, even under the assumptions listed above, the ARM is still a more economical approach.**

	Rate Case Costs	CPI Rate
2019 Rate Case	\$103,190	
2020 inflated	\$106,595	3.30%
2021 inflated	\$109,793	3.00%
2022 inflated	\$115,173	4.90%

[illegible]

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**2-4.** State whether the Company is willing to place a cap on its regulatory costs associated with an ARM filing for purposes of determining the annual revenue requirement.

**RESPONSE: The Company does not believe a cap on filing costs for annual ARM filings is necessary. The Company is unaware of any precedent for caps being set for recovery of filing costs for other approved ARMs.**

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**2-5.** Refer to the Company's Response to Consumer Advocate DR No. 1-19. Specifically refer to File <CA 1-19 - Allocated O&M Costs.xlsx> provided by the Company. Confirm that the dates listed horizontally across the top of the spreadsheet begin with January 2021 and end with May 2023.

**RESPONSE: Please see corrected response to CA DR # 1-19.**



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**2-6.** Refer to the Company's Responses to Consumer Advocate DR No. 1-19 and TPUC Staff Data Request No. 1-4. Specifically refer to File <CA 1-19 - Allocated O&M Costs.xlsx> provided by the Company. Where within the File <CA 1-19 - Allocated O&M Costs> can the direct charges to NARUC Account 601 identified in the Company's Response TPUC Staff Data Request 1-4 be found (\$24,163 for 2021 and \$1,777 for 2022)? The total charges to Account 601 reflected in File <CA 1-19 - Allocated O&M Costs.xlsx> is \$4,484 for 2021 and \$3,466 for 2022.

**RESPONSE: Please see corrected response to CA DR # 1-19, which only reflects allocated charges. The corrections for NARUC accounts 601 and 604 now tie to the response to TPUC Staff DR # 1-4.**

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**2-7.** Refer to the Company's Responses to Consumer Advocate DR No. 1-19 and TPUC Staff Data Request No. 1-4. The Response to TPUC Staff Data Request No. 1-4 refers to the current practice of posting all corporate and shared service costs to Corporate Allocations and Regional Allocation accounts. Provide the following:

- a. A comprehensive explanation for what is meant by the statement that all corporate and shared service costs are posted to Corporate Allocations and Regional Allocation accounts. Are all such costs recorded exclusively to Account 675?
- b. A thorough description of the services provided by corporate shared/services versus those services provided at the regional or state level.

**RESPONSE:**

- a. Please note that the Company corrected the reporting of Corporate Allocations - GL Account 691000 and Regional Allocations – GL Account 692000, among other accounts. These two accounts were corrected to be categorized as NARUC Account 634 – Management Fees. The Company is supplying a corrected response to Consumer Advocate DR No. 1-19 to align with the NARUC categorizations in Response to TPUC Staff DR No. 1-7. Response to TPUC Staff Data Request No. 1-4 stated: "Please note that 2020 was the last year that shared services allocations posted across all applicable expense accounts (e.g., shared services Salaries posting to Salaries Expense), as opposed to the current practice of posting all corporate and shared services costs to Corporate Allocations and Regional Allocations accounts." This

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means that all corporate and shared services costs are being posted solely to two GL accounts, both categorized as NARUC 634. In this context, Regional Allocations are differentiated as corporate and shared services costs only applicable to a limited set of Corix Infrastructure Inc.'s subsidiaries. The Customer Experience team, which encompasses customer service, billing and collections, is the sole Regional Allocation cost and is only allocated to Corix Regulated Utilities (US) Inc. subsidiaries, including TWS.

- b. Corporate and shared services costs are those discussed in the Corix Infrastructure Inc. Cost Allocation Manual ("CAM"), supplied in response to CA DR #1-18, which are allocated based on a two-tier system to affiliates such as TWS. Regional or state level costs are those either directly charged to TWS or a regional/business unit cost center that are subsequently allocated only to the regional affiliates, utilizing the CAM methodology as applicable. For example, TWS is part of the Southeast business unit, which includes operations in Georgia, Alabama, and Tennessee. TWS is also part of the South region, which includes operations in the Southeast business unit and Louisiana and Texas. Costs charged to the regional cost centers are typically for regional support personnel (President, FP&A, operations, project management, compliance) and their related costs (benefits, travel, etc.) as well as insurance expense.

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**2-8.** Refer to the Company's Response to Consumer Advocate DR No. 1-8 indicating that internal costs associated with this Docket would be accounted for in the same manner as they would be posted in the normal course. Define how internal costs associated with this filing, and hypothetically future ARM filings, would be quantified. State whether the Company utilizes timesheet reporting to track such costs.

**RESPONSE: The Company does not typically capitalize internal costs (i.e., labor, benefits, other overhead) for regulatory filings for TWS. TWS generally will expense internal costs related to regulatory filings to the appropriate expense account (e.g., Salaries recorded to Salaries Expense, Travel recorded to Travel Expense accounts, Legal recorded to Regulatory Commission Expense accounts). TWS's response to CA DR #1-8 means that because ARM filings are annual, deferral of the costs is not necessary, and they will be expensed as noted above. TWS's timesheet processes do not typically track internal labor and overhead related to regulatory filings where the costs are not capitalized or deferred.**

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**2-9.** A review of the responses to Consumer Advocate DR Nos. 1-9 and 1-19 indicates there are significant fluctuations in the month-to-month recordings to Accounts 601 “Salaries & Wages” and 675 “Miscellaneous Expenses”. Provide a thorough explanation for the significant variations in expenses recorded to these accounts on a monthly basis.

**RESPONSE: Please see response to TPUC Staff DR # 1-7, corrected response to CA DR # 1-9, and corrected response to CA DR # 1-19. Please see below additional explanations:**

**Generally, negative balances reflect overaccruals from prior months and reclassifications of misposted costs.**

**NARUC 634 – Corporate and Regional Allocations expenses are reconciled and trued up to actuals on a quarterly basis, resulting in periodic adjustments.**

**NARUC 675 – March annual payments made for industry membership dues, as well as fluctuations in maintenance costs each month.**

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**2-10.** The Company's proposed tariff included as "Appendix C" to the filing contains the following description for determining Water Revenues:

For the Attrition Period Rate Reset, the Company shall set its billing determinants based on projecting the average monthly customer counts in the Attrition Period and using the average per customer monthly consumption in the prior three calendar years.

Explain how the Company intends to project average monthly customer counts in the Attrition Period.

**RESPONSE: Please see response to CA DR #1-14b.**

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**2-11.** Provide a comprehensive discussion of the status of the integration process between the Company and Corix Infrastructure, Inc. This response should include the expected timeline when the two units will be fully integrated and reach a normalized headcount level going forward.

**RESPONSE: Corix Infrastructure Inc. (“CII”) is currently the ultimate parent company for TWS. There are no expected integration activities between CII and TWS from the current state.**

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**2-12.** Refer to the Company's Response to Consumer Advocate DR No. 1-17. Provide an organization chart with the job titles of regulatory employees supporting the entities listed in this response.

**RESPONSE:** Please see below the Water Service Corporation and Fairbanks Sewer and Water regulatory employees with regulatory responsibilities for the entities listed in response to CA DR #1-17. Please note this does not include employees serving a Financial Planning and Analysis function which may include regulatory responsibilities.

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>Entities Supported</b></u>
<b>Devin McDowell</b>	<b>Regulatory Affairs Specialist</b>	<b>Fairbanks Sewer and Water</b>
<b>Anna Merrill</b>	<b>Director of Regulatory Affairs</b>	<b>Fairbanks Sewer and Water</b>
<b>Dante DeStefano</b>	<b>Director of Regulatory Affairs</b>	<b>All Regulated Entities</b>
<b>Steven Lubertozzi</b>	<b>SVP of Rates, Regulatory, and Legislative Affairs</b>	<b>All Regulated Entities</b>

**Please note the following entities are not regulated: ACME, Utilities, Inc. of GA, Water Service Co. of GA.**



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**2-13.** Refer to the “Linked TB” Tab within the File <ARM Filing Template TWS 2022.xlsx> and provide the supporting calculations for the following “Income Statement Adjustments” found in Column “K”:

- a. Purchased Services - Water (Row 1028);
- b. Other Contract Worker expense (Row 1059);
- c. Utility - Electric Power (Row 1094): and
- d. Contractor Outside Services (Row 1165).

**RESPONSE:**

- c. Please see Fusion TB Drop tab in the same file, cell AC363, which uses the result of cell AA363 (derived from the preceding cells of that row), adjusted (if applicable) for the NRW rate per Schedule B-3.
- d. Please see Fusion TB Drop tab in the same file, cell AA383 (derived from the preceding cells of that row).
- e. Please see Fusion TB Drop tab in the same file, cell AC402, which uses the result of cell AA402 (derived from the preceding cells of that row), adjusted (if applicable) for the NRW rate per Schedule B-3.
- f. Please see Fusion TB Drop tab in the same file, cell AA431 (derived from the preceding cells of that row).

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RESPECTFULLY SUBMITTED,

  

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Ryan A. Freeman (BPR 033299)  
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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:

Victoria B. Glover  
Mason Rush  
**Office of the Tennessee Attorney General**  
**Consumer Advocate Division**  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 360-4219  
Fax: (615) 741-8151  
Email: [Victoria.Glover@ag.tn.gov](mailto:Victoria.Glover@ag.tn.gov)  
Email: [Mason.Rush@ag.tn.gov](mailto:Mason.Rush@ag.tn.gov)

This the 4<sup>th</sup> day of August, 2023.

A handwritten signature in blue ink that reads "Ryan Freeman". The signature is fluid and cursive, with the first name "Ryan" and last name "Freeman" clearly distinguishable.

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Ryan Freeman