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November 15, 2013

VIA HAND DELIVERY

Hon. James Allison, Chairman
c/o Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Joint Petition of Tennessee-American Water Company, the City of Whitwell, Tennessee, and the Town of Powells Crossroads, Tennessee, for Approval of a Purchase Agreement and a Water Franchise Agreement and for the Issuance of a Certificate of Convenience and Necessity, TRA Docket No. 12-00157

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Dear Chairman Allison:

Enclosed please find the original and four (4) copies of Tennessee-American Water Company's Reply in Support of Motion Requesting Clarification of Order Approving Purchase Agreement, Franchise Water Agreement and Certificate of Public Convenience and Necessity. An extra copy is also attached to be filed-stamped for our records.

Should you have any questions concerning this filing, or require additional information, please do not hesitate to let us know.

Very truly yours,

BUTLER SNOW LLP



Junaid A. Odubeko

JAO:sc
Enclosures

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**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

**JOINT PETITION OF
TENNESSEE-AMERICAN WATER
COMPANY, THE CITY OF
WHITWELL, TENNESSEE, AND THE
TOWN OF POWELLS CROSSROADS,
TENNESSEE, FOR APPROVAL OF A
PURCHASE AGREEMENT AND A
WATER FRANCHISE AGREEMENT
AND FOR THE ISSUANCE OF A
CERTIFICATE OF CONVENIENCE
AND NECESSITY**

DOCKET NO. 12-00157

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**REPLY IN SUPPORT OF MOTION REQUESTING CLARIFICATION OF ORDER
APPROVING PURCHASE AGREEMENT, FRANCHISE WATER AGREEMENT AND
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

Tennessee-American Water Company ("TAWC"), by and through counsel, respectfully submits this Reply in Support of its Motion Requesting Clarification of the Order of the Tennessee Regulatory Authority ("TRA" or the "Authority"), Approving Purchase Agreement, Franchise Water Agreement and Certificate of Public Convenience and Necessity of October 15, 2013 ("Order").

I. Legal Argument and Discussion

In its motion, TAWC respectfully requested that the Authority clarify Ordering Clause No. 5 of its Order to specify that the approved purchase price is the methodology provided by Exhibit 2 to the Petition, as opposed to the illustrative amount provided by TAWC in response to DR #35. TAWC submits that clarifying Ordering Clause No. 5 in this manner would make it consistent with the Authority's findings and conclusions and the evidentiary record.

In response to TAWC's motion, the Office of the Attorney General's Consumer Advocate and Protection Division ("CAPD" or "Consumer Advocate") agreed with the Company that the current language of Ordering Clause No. 5 "could be construed as being inconsistent with or otherwise unclear as to the final purchase price."¹ For this reason, the Consumer Advocate concluded that TAWC's motion was not unwarranted.² Moreover, the Consumer Advocate reiterated that it does not object to a determination by the Authority of a reasonable method of calculating a purchase price, as opposed to approving an actual amount—such as the illustrative amount provided by TAWC in response to D.R. #35.³

Although the Consumer Advocate did not object to TAWC's request to clarify Ordering Clause No. 5, the Consumer Advocate noted that approving a purchase price that defined the acquisition assets as "rate base" would conflict with other aspects of the Order.⁴ The Consumer Advocate, therefore, recommended that the Authority clarify its Order to find the purchase price reasonable if it is based on historical original cost less accumulated depreciation.⁵

TAWC does not dispute that the Authority's Order disallows the Company from recovering for the acquisition assets in rate base at this time. Nonetheless, in an effort to avoid any potential unintended consequences that might result from adopting the Consumer Advocate's recommendation, TAWC submits that the calculation of the purchase price should be consistent with the methodology demonstrated in the example provided in the Company's response to D.R. #35—historical original cost less depreciation—and as further described throughout the evidentiary record.

¹ See *Response to Tennessee American Water Company's Motion Requesting Clarification of Order Approving Purchase Agreement, Franchise Water Agreement and Certificate of Public Convenience and Necessity*, TRA Docket No. 12-00157, p. 2 (Oct. 31, 2013).

² See *Id.*

³ See *Id.*

⁴ See *Id.*

⁵ See *Id.*

II. Conclusion

For the foregoing reasons, TAWC respectfully requests that the Authority grant its request to specify that the approved purchase price is the methodology provided by Exhibit 2 to the Petition—historical original cost less depreciation—and not the illustrative amount provided by TAWC in response to DR # 35.

Respectfully submitted this 14th day of November, 2013.

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Counsel for Tennessee-American Water
Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served electronically to the following this 14th day of November, 2013.

Vance Broemel
Charlena Aumiller
Consumer Advocate and Protection Division
Office of the Attorney General
P.O. Box 20207
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