

TENNESSEE REGULATORY AUTHORITY

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November 14, 2013

Melvin Malone
Butler, Snow, O'Mara, Stevens & Cannada, PLLC
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

RE: Docket No. 13-00130 – *Petition of Tennessee-American Water Company for Approval of a Qualified Infrastructure Investment Program, an Economic Development Investment Rider, a Safety and Environmental Compliance Rider, and Pass-Throughs for Purchased Power, Chemicals, Purchased Power, Wheeling Water Costs, Waste Disposal, and TRA Inspection Fee.*

Dear Mr. Malone:

To assist the Authority in its evaluation of the *Petition* filed on October 4, 2013, please provide your responses to the questions on the attached TRA First Data Request.

In order for the Authority to evaluate the *Petition* in a timely manner, it is necessary to receive this information as soon as possible. It is therefore requested that all responses be provided no later than 2:00 p.m. November 27, 2013. In accordance with TRA rules submit either (1) original and thirteen written copies of your response or (1) original and four written copies and an electronic version. Should you have any questions or need clarification regarding any requested item, please contact me at (615) 741-2904, ext. 188. Thank you for your prompt attention to this matter.

Sincerely,

David Foster, Chief
Utilities Division

C: Junaid Odubeko
Junaid.odubeko@butlersnow.com
Gary M. VerDouw
Gary.VerDouw@amwater.com

General Questions:

1. Provide a list of each project (including a detailed description) by account included in the capital budget filed with the rate case. Also, file a list of projects by account (include a detailed description) included for the QIIP, EDIP and the SEC riders.
2. Provide all support and evidence that the additions in Riders QIIP, SEC and EDIP have not already been included in rate base.
3. Do the calculations for the QIIP, EDIP and SEC riders reflect a twelve month average using thirteen months of data or an eleven month average using twelve months of data? Please explain
4. Mr. Allen states infrastructure is old and needs to be replaced (page four of Mr. Allen Direct) and Mr. O'Neill provides a few examples on pages 10-11 of his testimony of necessary infrastructure replacements that have eliminated costly maintenance problems. Please separate by project and by rider (QIIP and SEC) the anticipated cost (e.g., maintenance expense) savings from replacing the old infrastructure. Are these amounts of cost savings included in calculating the final rider amounts to be paid by consumers? If not, explain. If they are, please identify their inclusion in the tariffs and/or formulas.
5. For the QIIP, SEC and EDIP Riders the Company states that some operational expenses may be included. Please list expenses that could be included specifically and explain how the Company differentiates O&M expenses already allowed as part of base rates and incremental O&M expense related to these riders.
6. For the QIIP, SEC and EDIP Riders the Company states that the riders will be subject to an annual reconciliation and that any over or under recovery will be included in the calculation of the next adjustment factor. Will the under or over recoveries include interest?
7. Explain why the depreciation rates used to calculate the depreciation expense for the QIIP Rider, EDIP Rider and the SEC Rider on Exhibit 2014 SCEP are not the same as the rates in the Surcharge Worksheet v7 9-24-13.xlsx file tab named WKP Deprec. Rates. If any depreciation rates for the QIIP, EDIP and SEC investment calculations are different than those approved by the TRA for TAWC, provide detailed explanations and rationale for any such differences.
8. For all projects proposed in the petition, indicate whether Request for Proposals ("RFPs") are issued (by TAWC or Parent level) to potential contractors. Will this practice continue subsequent to approval of the petition?
9. On page 6 of Mr. O'Neill's testimony, he describes five stages of budgetary approval. Provide all written documentation of each of these five stages for all investment projects included in this petition.

10. Provide the Company's most recent capital budget. Was this budget approved by the Board of Directors?
11. Provide a copy of the minutes from the two most recent Board of Directors' meetings.
12. Are any projects currently being installed by affiliated companies? If so, please identify those companies and projects. Discuss measures in place regarding affiliate purchases.
13. If TAWC grosses up investment amounts in QIIP and EDIP for inspection fees, how does the Company ensure that a double recovery does not occur when recovering the inspection fees in the PCOP? Please explain.
14. Will labor expense be one of the O&M expenses allocated to the QIIP, SEC and EDI Riders? If so, please explain.
15. Provide the number of employees by month since January 2012.
16. On page 14 of Mr. O'Neill's testimony, he states that TAWC anticipates 193 meter renewals during the period. Please include all supporting rationale to support this forecast.
17. Provide all studies including cost/benefit analysis for the Whitwell Project identified on page 14 of Mr. O'Neill's testimony. Please discuss all efficiencies that will result and provide amounts of anticipated cost savings. Are these savings included in the calculations? Please explain.
18. Is it TAWC's proposal that all TAWC customers share the costs/expenses associated with the Whitwell Project?
19. Provide the journal entries that TAWC anticipates for the Whitwell Project. Does TAWC plan on keeping the companies' books separate?
20. Provide the amount spent on new hydrants for each year from 2009 through 2012. Also, provide the latest twelve months-to-date amounts spent on fire hydrant replacements.
21. Provide the amount spent on new meter replacement for each year from 2009 through 2012. Also, provide the latest twelve months-to-date amounts spent on meter replacements.
22. Provide the anticipated savings in fuel costs by converting or purchasing alternative fuel vehicles. Will these cost savings be refunded to consumers under the proposed mechanisms? If not, explain. If so, please identify the tariff provision and/or formula for the savings.

23. Please identify any issues of non-compliance with Lines L, M and Q (see pages 19-21 of Mr. O'Neill's testimony). Provide all studies including any cost/benefit analysis for work associated with these lines.
24. Although not proposed, the general theme is to track certain expenses under the PCOP. Please provide TAWC's position for an expense tracker for rate case expenses and other TAWC studies that receive recovery over future periods.
25. Provide copies of all QIIPs (or similar mechanisms) approved and/or proposed in all states identified on page 14 of Mr. VerDouw's direct testimony.
26. Regarding ratepayer protection, please discuss why TAWC is not proposing annual caps on the investment riders that exist in other states.
27. Provide a reconciliation of all plant placed into service through the attrition period (including all additions and retirements) compared to the capital budget in the last rate case. Please highlight and explain any differences.
28. Provide the TAWC's detailed calculation of its pre-tax return.

Qualified Infrastructure Investment Program ("QIIP")

29. On page four of Mr. Allen's testimony he states that, "The Company's water system is over 100 old years old." Please discuss all rationale for TAWC's decision not to propose replacing the aged plant in the last rate case, or in any of the six rate cases filed since 2003.
30. Please discuss all internal processes utilized by TAWC by for determining whether investment under the QIIP and EDIP is prudent. (Refer to page four of Mr. Allen's testimony wherein he states that the QIIP will "allow the Company to prudently invest in necessary infrastructure repair and improvement projects"). Does TAWC plan to conduct or have an independent consultant conduct cost/benefit studies for each project?
31. On page 15 of Mr. VerDouw's testimony, he states "The Company will forecast the amount of capital expenditures that it will need to make that qualify as QIIP expenditures for the upcoming year." Does TAWC plan to seek approval of its capital expenditures under the QIIP from the TRA prior to a project? If not, explain how the TRA can assure ratepayers that all investment under this rider is prudent.
32. When TAWC files its annual information for the QIIP, is it TAWC's position that the TRA will have the ability to determine whether the investment made was prudent and should be allowed or excluded for recovery? If not, explain.
33. If the answers to questions 31 and 32 above are both no, please describe the process wherein the TRA can review the prudence of the expenditures and related investments.

34. Discuss all measures and processes the Company undertakes in determining whether an expenditure is prudent.
35. For non-revenue producing plant investment in QIIP, please discuss the rationale for including a gross-up factor for inspection fees, gross receipts and excise taxes, and uncollectible expenses.

Environmental Development Investment Program ("EDIP")

36. Please specify all criteria used by the Company in determining which projects are eligible for the EDIP. Does TAWC plan to conduct or have an independent consultant conduct a cost/benefit analysis before investing in an EDIP project?
37. Does TAWC plan to seek approval of investment under the EDIP from the TRA prior to a project? If not, explain how the TRA can assure ratepayers that all investment under this rider is prudent.
38. When TAWC files its annual information for the EDIP, is it TAWC's position that the TRA will have the ability to determine whether the investment made was prudent and should be allowed or excluded for recovery. If not, explain.
39. If the answers to questions 37 and 38 above are both no, please describe the process wherein the TRA can review the prudence of the expenditures and related investments
40. On pages 8-9 of Mr. Allen's testimony, he requests there be an option for specially negotiated rates under the EDIP. Does TAWC propose to file these contracts with the TRA for prior approval? If not, explain.
41. On page 27 of Mr. Verdouw's testimony, he states that investment in EDIP, "would include main extensions to serve new customers." If additional revenues are generated from this investment does TAWC propose to offset any cost recovery in the EDI for the increased revenues? If not, please explain. If so, please indicate the tariff provision that allows the offset. Please submit all anticipated revenues forecasted in current EDI projects.
42. Please provide TAWC's position as to whether its stockholders would be willing to assist in funding EDIP projects.
43. Would TAWC's proposed EDIP projects benefit non-customers of TAWC? If so, provide the rationale for using ratepayer money to fund such projects.

Safety and Environmental Compliance Program ("SEC")

44. On page 36 of Gary M. VerDouw's testimony, he states that the SEC surcharge requested in this filing is \$52,575. His Exhibit Summary-GMV (line 6) and Exhibit SEC 1-GMV on line 16 show \$55,042. Which amount is being requested?

45. Provide copies of all written government mandates/requirements for any investment scheduled under the SEC Rider. Does the Company propose to file such mandates with the TRA prior to beginning related projects? If not, please explain. Also include an explanation as to how the TRA can assure that any investment is prudent.
46. For non-revenue producing plant investment in SEC, please discuss the rationale for including a gross-up factor for inspection fees, gross receipts and excise taxes, and uncollectible expenses.

Production Costs and other Pass-Throughs ("PCOP")

47. Is it the Company's position that volumes would remain constant (from the recent rate case) in the PCOP calculations in subsequent years? If not, explain.
48. During recent rate cases, the TRA has capped water loss at 15% in calculating Fuel and Power and Chemicals expense. Do the proposed calculations incorporate a 15% water loss (as previously ordered by the TRA) in the calculations that are based upon water volumes? If not, please explain. If so, please identify where this appears in the calculations.
49. Is it TAWC's position to use rate case inspection fee amounts in the PCOP and true that amount up to actual inspection fees paid in 2013 and subsequent years? If so, please explain this rationale.
50. The inspection fee increase passed last legislative session will be paid for the first time in April 2014 for the year ended December 31, 2013. Please provide a detailed calculation of the inspection fees included in the rate case using the rates adopted during the 2013 legislative session (i.e., keep volumes and revenues constant).
51. Furthermore, in future years, increased revenues will result in increased inspection fees. Is it TAWC's position that inspection fees associated with higher revenues would be recoverable under the rider? If not, explain how they are excluded. If inspection fees resulting from higher revenues are to be recovered through the PCOP, explain TAWC's rationale that the fees should be recovered but customers receive nothing for the increased revenues.
52. In subsequent year's calculations is it TAWC's intention to keep volumes constant in order to isolate changes in purchased power, chemicals, waste disposal, wheeling water costs and water purchased from other utilities? Please explain in detail. If the company is proposing to calculate the PCOPs each year based upon volume changes, please explain the rationale for doing so.
53. Please describe in detail any Request for Proposals ("RFPs") that are issued (by TAWC or Parent level) for purchasing chemicals or any other items in the PCOP. Will these

RFPs continue after the PCOP becomes effective? Are any items (e.g. chemicals) purchased from affiliates? Discuss measures in place regarding affiliate purchases.

54. Detail and discuss the Company's measures/written procedures that will be in place to seek lower expenses for customers if the PCOP is approved, and discuss the measures for ensuring all expenses are incurred prudently.
55. Provide the "Exhibit PCOP Sample Calculation-GMV" using as much actual data as possible. In cases where amounts are yet to be determined, provide the Company's projection of these numbers and explain how each number was projected.
56. Provide a schedule showing complete list of chemical prices at the time the settlement in the last rate case was approved and comparison of the latest chemical prices.
57. Provide a comparison of electricity rates in effect at the time the settlement was approved with the latest current electricity prices.
58. Provide the latest twelve months-to-date expenses for purchased power, chemicals, waste disposal costs, water purchased from other utilities and wheeling of water by other utilities. Please exclude any amounts associated with the Whitwell operations.
59. Please provide the total purchased and produced volumes and the total metered volumes (including special contracts) for the most current twelve months in the tables listed below.

Location	Residential	Commercial	Industrial	OWU	OPA	Total
Chattanooga						
Lookout Mountain						
Lake View						
Loan Oak						
Suck Creek						
Total						
	Volumes					
Special Contract						
Fort Oglethorpe						
Catoosa County						
Signal Mountain						
Walden's Ridge						
Total						
Private Fire						