

IN THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

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IN RE:

PETITION OF TENNESSEE-AMERICAN
WATER COMPANY REGARDING
CHANGES TO THE QUALIFIED
INFRASTRUCTURE INVESTMENT
PROGRAM RIDER, THE ECONOMIC
DEVELOPMENT INVESTMENT RIDER,
AND THE SAFETY AND
ENVIRONMENTAL COMPLIANCE
RIDER

Docket No. 15-00029

FIRST DISCOVERY REQUEST
OF THE CONSUMER ADVOCATE AND PROTECTION DIVISION
TO TENNESSEE AMERICAN WATER COMPANY

To: Tennessee American Water Company
c/o Melvin J. Malone
Valeria Gomez
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

And

Linda Bridwell
Manager of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502

This Discovery Request is hereby served upon Tennessee American Water Company (“TAWC” or “Company”), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate and Protection

Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Wayne M. Irvin, on or before 4:00 p.m. (CDT), July 14, 2015.

PRELIMINARY MATTERS AND DEFINITIONS

These discovery requests are to be considered continuing in nature, and are to be supplemented from time to time as information is received by TAWC which would make a prior response inaccurate, incomplete, or incorrect.

If any objections to this discovery are raised on the basis of privilege or immunity, please include in your response a complete explanation concerning the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, please state the exact legal basis for each such refusal.

The terms “you” and “your” as used herein mean TAWC and all employees, agents, and representatives thereof.

The term “person” as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever.

The term “communication” means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

The term “document” as used herein shall have the broadest possible meaning under applicable law. “Document” as used herein means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to

any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), workpaper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, please state what disposition was made of the document and when it was made. With respect to any document that is or consists of an electronic workpaper, spreadsheet, computer disk or record, or other similar data compilation in any form or format (including Excel file format) without limitation, provide such document with working formulas in such document.

FIRST DISCOVERY REQUESTS

1. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Net Invest Results" tab of this spreadsheet. This tab provides the basis for the capital rider reconciliation calculation contained on the "Exhibit Reconciliation" tab of this same spreadsheet. However, we are unable to find a clear audit trail for the Company's calculations. Please provide an analysis with a clear audit trail (along with appropriate footnotes as necessary) that shows the development of each of the following components for the capital rider reconciliation calculation:

- a. Monthly Plant Additions
- b. Cumulative Monthly Plant Additions
- c. Monthly Plant Retirements
- d. Cumulative Monthly Plant Retirements
- e. Monthly Cost of Removal
- f. Cumulative Monthly Cost of Removal
- g. Monthly Contributions in Aid of Construction
- h. Cumulative Monthly Contributions in Aid of Construction
- i. Monthly Net Investment
- j. Cumulative Monthly Net Investment
- k. Monthly Book Depreciation Expense
- l. Monthly Accumulated Depreciation Expense

- m. Monthly Tax Depreciation Expense
- n. Monthly Accumulated Tax Depreciation Expense
- o. Monthly Accumulated Tax LESS Monthly Accumulated Book Depreciation Expense
- p. Accumulated Deferred Income Tax
- q. Accumulated Earnings Basis – Net Investment

RESPONSE:

2. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Depr Rates" tab of this spreadsheet. Please provide the source and support for the Company's book and tax depreciation rates included on this schedule.

RESPONSE:

3. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-PP In-Service" tab of this spreadsheet. Please explain the origination of this spreadsheet. If this spreadsheet originates from the Company's ledger, please provide a reconciliation by month of the amounts that are included here for QIIP, EDI and SEC and the total amounts included on the ledger by account.

RESPONSE:

4. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-PP In-Service" tab of this spreadsheet. Please provide a definition and legend of all entries for the following fields in this spreadsheet:

- a. WBS
- b. Profit Center
- c. Project #

RESPONSE:

5. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-PP In-Service" tab of this spreadsheet. Please provide a description of how the values in the "In-Service Date" field are determined. In addition, please provide an explanation for including projects whose in-service date appear to be prior to the adoption of the capital rider docket.

RESPONSE:

6. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-PP In-Service" tab of this spreadsheet. Please explain how the Company determines the "Portion %" field amount included on this schedule.

RESPONSE:

7. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-SAP Revenues" tab of this spreadsheet. Please provide a definition and legend of all entries for the following fields included in this spreadsheet:

- a. Area Code
- b. Area Text
- c. Rate Category

- d. Text (for Price Level)
- e. Rate Number

RESPONSE:

8. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-SAP Revenues" tab of this spreadsheet. Please explain the origination of this spreadsheet. If this spreadsheet originates from the Company's ledger, please provide a reconciliation by month of the amounts that are included here for QIIP, EDI and SEC and the total amounts included on the ledger by account.

RESPONSE:

9. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Whitwell Revenues" tab of this spreadsheet. Please provide the source and support for the "Water Charges" amounts included on this spreadsheet.

RESPONSE:

10. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Net Invest Results" tab of this spreadsheet. Finally, refer to cell M675 of this spreadsheet. This cell, which purports to contain the tax depreciation rate for Supply Mains in the SEC capital rider, has a value of 0.00%. Please explain.

RESPONSE:

11. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Net Invest Results" tab of this spreadsheet. Finally, refer to cells BW802 through BW809 of this spreadsheet. These cells calculate the 2014 year-to-date actual QIIP Earnings Basis Net Investment of \$5,630,362. However, these cells do not cross foot to this same amount. Specifically, the values in cells BW802 to BW809 do not total to \$5,630,362. It appears that the Company has omitted the retirements from the Earnings Basis Net Investment. Please explain and reconcile this calculation.

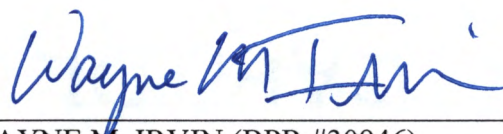
RESPONSE:

12. Refer to the Company's spreadsheet titled "TAW_TRA_2014_CapRider_Recon" that was filed along with the Company's Petition. Specifically refer to the "WKP-Net Invest Results" tab of this spreadsheet. Finally, refer to cells BW822 through BW829 of this spreadsheet. These cells calculate the 2014 year-to-date actual SEC Earnings Basis Net Investment of \$1,149,429. However, these cells do not cross foot to this same amount. Specifically, the values in cells BW802 to BW809 do not total to \$1,149,429. It appears that the Company has omitted the retirements from the Earnings Basis Net Investment. Please explain and reconcile this calculation.

RESPONSE:

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RESPECTFULLY SUBMITTED,



WAYNE M. IRVIN (BPR #30946)
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
(615) 532-5512

Dated: June 30, 2015.

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:

Linda Bridwell
Manager of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Linda.Bridwell@amwater.com

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This the 30th day of June, 2015.



Wayne M. Irvin