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February 17, 2016

VIA ELECTRONIC FILING

Hon. Herbert H. Hilliard, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Petition of Tennessee-American Water Company Regarding The Production Costs and Other Pass-Throughs Rider, TRA Docket No. 15-00111

Dear Chairman Hilliard:

Attached for filing please find *Tennessee-American Water Company's Supplemental Response to Discovery Requests of the Consumer Advocate and Protection Division* in the above-captioned matter.

As required, an original of this filing, along with four (4) hard copies, will follow. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Valoria Armstrong, President, Tennessee-American Water Company
Wayne Irvin, Assistant Attorney General, Consumer Advocate and Protection Division
Vance Broemel, Assistant Attorney General, Consumer Advocate and Protection Division

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**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 15-00111
FIRST DISCOVERY SET OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Linda Bridwell

Question: 01-008

Refer to the electronic spreadsheet included with the Company's filing. Specifically, refer to the "WKP 2015 In-Serviced SCEP" tab in this spreadsheet. Explain why the "Prior Year Period 11 and 12 Spend" amounts still refer to budget numbers instead of actual amounts.

Response:

Tennessee American agrees that an adjustment to the calculation would be appropriate. Please refer to attachment "CAPD 01-008_Attachment.xlsx" for re-calculation using actual spend amounts for November and December 2014.

Supplemental Response:

After further discussions with the Consumer Protection and Advocate Division, Tennessee American has concluded that a supplemental response to this discovery request is appropriate.

In the original filing in Docket No. 13-00130, Tennessee American provided a forecasted amount of capital expenditures by month, for each Business Unit in the Strategic Capital Expenditures Plan. Tennessee American then used that forecasted monthly capital expenditures to calculate a forecasted In-Service amount of capital which would represent Rate Base additions. This methodology was also consistent with methodology used in the previous general rate case, Docket No. 12-00049. For Recurring Project Business Units that typically had multiple projects going on each month, the calculation was based on a three-month average of actual capital expenditures. This included Business Units DV (projects funded by others), A (Mains-New), B (Mains-Replaced/Restored), C (Mains – Unscheduled) and D (Mains-Relocated). For example, under Business Unit Item B, Mains-Replaced/Restored, there may be anywhere from 5 to 20 projects going on during the year with various start times, durations, and level of capital spend. Rather than attempt to forecast these on a very detailed project level, Tennessee American uses this methodology to forecast the overall Business Unit In-Service amounts from the projected monthly capital expenditures. The approved capital surcharge riders were based on this methodology, and Tennessee American utilized this same methodology in the filing of Docket No. 14-00121.

In Docket No. 15-00029, Tennessee American submitted a reconciliation of the 2014 actual monthly In-Service amounts by Business Unit compared to the Forecasted amounts. When Tennessee American prepared the "TAW_TRA_2014_CapRider Recon" for the reconciliation, we pulled the amount of plant in-service additions each month by Business Unit. Then we reviewed every single charge and made a determination if it was work that was outside of the

annual review period or within the review period. For example, if a work order had the majority of its charges in the previous year, but wasn't placed in-service until January 2014 (or later), we considered that individual work order outside the 2014 review period and excluded the total work order from the in-service amount. Also, if the work order was implemented over multiple months, the total value of the work order was placed in-service and accounted for in the month it was placed in-service. Also, if the project did not qualify for the capital surcharges, such as Item DV (developer funded projects), we excluded the projects.

In filing Docket No. 15-00111, Tennessee American utilized the actual 2014 monthly In-Service amounts by Business Unit. Tennessee American proposed the methodology of using the actual 2014 In-Service amounts in order to incorporate any of those differences into the overall Capital Surcharge rates for the 2016 riders. However, in preparing the filing this filing, Tennessee American did not update the amount of 2014 November and December monthly capital expenditures to actuals in each Business Unit as part calculation of the forecasted In-Service amounts for the 2015 January and February calculation of the In-Service amounts for 2015. In preparing the initial response to this Discovery Request, Tennessee American used the actual capital expenditures for 2014 November and December, thus revising the monthly In-Service amounts in 2015 January and February. These actual 2014 November and December capital expenditures were hard-coded in and in a follow-up request from the CPAD, Item 02-06, Tennessee American was asked to provide the source and support information. These actual 2014 November and December capital expenditures differ from the actual 2014 November and December In-Service amounts that were provided in the reconciliation of the 2014 In-Service amounts in Docket No. 15-00029 as reflected below. Again, they differ because some work orders on each Business Unit will have capital spend but may not be placed in-service until later. The plant additions may exceed the capital expenditures during a month when individual work orders are placed in-service that had capital expenditures occurring in more than one preceding month. This is particularly true for Item B, Mains-Replaced/Restored projects that run 3-4 months on average. Tennessee American believes that this is an appropriate difference. If Tennessee American repeated the monthly In-Service amounts for 2014 November and December instead of the actual capital expenditures only, it would overstate the projected amount of In-Service for 2015 January and February.

Tennessee American Water

Follow-up to Response to CPAD 02-08

Business Unit Item No.	Capital Spend reflected in Response to CPAD 02-08		2014 Actual Plant Additions in Filing*	
	Nov-14	Dec-14	Nov-14	Dec-14
DV	\$ 30,865	\$ 143,146		
A	\$ 21,918	\$ 93,122		

	\$	\$		
B	28,562	(6,601)	113,053	373,614
	\$	\$		
C	37,123	105,079	35,513	123,363
	\$	\$		
D	45,726	17,061	-	20,524

* As reflected on tab "2014 Actuals Pivot Table" in TAW_SCH1_111115.xlsx

Tennessee American will continue to work on detailing the methodology utilized and the source of information in each filing going forward.

STATE OF Kentucky)
COUNTY OF Fayette)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Linda C. Bridwell, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, the data requests responses are accurate to the best of her knowledge.

Linda C. Bridwell
Linda C. Bridwell

Sworn to and subscribed before me
this 16th day of February, 2016.

Peggy A. Stone
Notary Public

My Commission Expires: 10/3/2016