

BUTLER | SNOW

April 29, 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. 15-00131

Dear Chairman Hilliard:

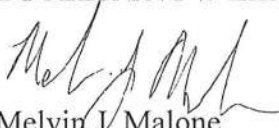
Attached for filing please find *Tennessee-American Water Company's Supplemental Responses to Third Discovery Requests of the TRA* in Docket No. 15-00131, which were originally submitted on April 27, 2016.

Two (2) Excel spreadsheets are also filed electronically.

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: Linda Bridwell, Tennessee-American Water Company
Wayne Irvin, Assistant Attorney General, Consumer Protection and Advocate Division
Vance Broemel, Assistant Attorney General, Consumer Protection and Advocate Division

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

MELVIN J. MALONE
615.651.6705
melvin.malone@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 15-00131
THIRD DISCOVERY REQUEST OF THE
TENNESSEE REGULATORY AUTHORITY**

Responsible Witness: Linda C. Bridwell

Question:

6. Please confirm that the Company used its ending balance of October 2014 for the beginning balance of each of its chemical inventory accounts instead of the November 2014 ending balance. Please refer to the chemicals workpapers pages 3 to 6.

Response:

Yes, TAWC used its ending balance of October 2014 for the beginning balance of each of its chemical inventory accounts instead of the November 2014 ending balance by mistake. A revised copy of the workpapers is attached. These corrected inventory balances are highlighted on the "Monthly Reconciliation" tab. Because the calculation uses the SAP issued usage, this correction does not change the amount of chemical expense.

Also, please note that TAWC had mistakenly listed volumes of a polymer EC-309 from the vendor ADC as *Sodium Hydroxide* instead of *Polymer EC-309*. This is a separate chemical and was included on the "Monthly Totals" tab as *Polymer* but did not show any additions on the "Monthly Reconciliation" tab and the volumes were mistakenly included in the *Sodium Hydroxide* reconciliation (rows 168 through 180). This has been corrected on the "ADC" tab in the highlighted cells, and the "Monthly Reconciliation" tab has corrected the inventory for both *Sodium Hydroxide* and *Polymer*. Because this polymer was included on the "Monthly Totals" tab without a reconciled usage, it does not change the total amount of chemical expense.

Finally, there was a third change to the chemical workpapers. On the "ADC" tab, TAWC did not accurately reflect the invoice amount for a total of \$412.88. Some of the differences were accrued tax, PO differences or charges to inventory. For most of the invoices, the amount of chemical expense did not change because it flowed through the issued usage. However, on the "ADC" tab there were three items that did impact the chemical expense amount where the invoice is pulled directly into the monthly totals. Those cells have been highlighted on the revised workpapers which reduces the chemical expense by a total of \$54.50. This changes the amount of chemical expense on the "Monthly Totals" tab and the "Link Out" tab. In response to Item 4 of the CPAD's Second Request for Information, TAWC made a reduction of \$412.88 in the chemical expense for the PCOP calculation and this should have only been a reduction of \$54.50.

These are the only changes on the chemicals workpapers.

One chemical invoice from ADC (Invoice #91065) was reproduced without the final numbers showing. This was page 120 of 134 of the file labelled Chemical Invoices in the original petition. A legible copy of the invoice is also attached.

Supplemental Response filed April 30, 2016:

Based on an informal request for information from the TRA, TAWC has determined that there is an additional error in the Chemicals Workpapers. This error resulted in the chemical expenses not including the Suck Creek chemical expenses.

TAWC has included attached to this response a revised Chemicals Workpapers that corrects this error. This increases the overall chemicals expenses to \$775,728. Because this is a supplemental response, TAWC has only included in pdf format the two pages in the excel file that were revised. These are the excel tabs named "Link Out" and "Monthly Totals"

In addition, TAWC has filed with this response a revision to the Exhibit LCB-1 that was originally attached to my testimony. This is filed in both excel and pdf copies. This revised version includes the adjustments to the chemicals, fuel and power, purchased water, waste disposal, and revenues that have been included in the response to discovery requests from both the TRA and the CPAD. The final result of the adjustments is for a revised rate of the PCOP at -0.36%.

Tennessee American Water Company
Docket No. 15-00111
For the Twelve Months Ending November 30, 2015
PCOP Actual Expenses
Link In Page

Description	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Total
Purchased Water	\$ 3,360	\$ 3,297	\$ 2,913	\$ 3,495	\$ 2,839	\$ 5,149	\$ 6,466	\$ 6,658	\$ 5,702	\$ 6,161	\$ 5,313	\$ 487	\$ 51,841
Purchased Power	190,419	202,168	201,868	206,753	203,418	202,496	213,962	206,264	208,481	204,940	195,282	183,851	2,419,901
Chemicals	67,104	57,738	53,410	57,138	68,988	64,710	60,073	64,575	77,462	73,004	66,615	64,911	775,728
Waste Disposal	50,872	53,238	48,713	72,161	40,214	19,870	22,194	22,066	26,778	5,859	8,740	16,629	387,332
TRA Inspection Fee (Amortized in 16530000)	15,435	15,435	15,435	15,435	15,435	15,435	16,304	15,580	15,580	15,580	15,580	15,580	186,811
Total	\$ 327,189	\$ 331,877	\$ 322,339	\$ 354,982	\$ 330,894	\$ 307,659	\$ 318,999	\$ 315,144	\$ 334,003	\$ 305,543	\$ 291,529	\$ 281,457	\$ 3,821,613

Amounts Approved in Docket 12-00049

Total
Purchased Power \$ 2,678,772
Chemicals 986,930
Purchased Water 51,331
TRA Inspection Fee 131,826
Waste Disposal 213,308

Authorized Sales in 100 Gallons 100,589,065

Authorized Water Sales \$ 47,073,724

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Total
System Delivery	954,926	1,028,422	954,501	1,046,402	975,829	1,048,213	1,054,349	1,134,693	1,142,008	1,038,257	998,560	938,372	12,314,532
Water Sales	713,000	856,650	658,520	773,739	752,111	729,112	902,014	921,893	905,596	888,736	852,882	682,526	9,636,778
2015 Under recovery	\$129,135.12												

Tennessee American Water Company
Docket No. 15-

Calculation of Production Costs and Other Pass-Throughs ("PCOP") Including Non-Revenue Water
To Determine PCOP Tariff Rider
Actuals for the Year Ending November 30, 2015

Line Number	Description	Amount
<u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$ 4,062,167
2	Pro Forma Water Sales (WS) in 100 Gallons	100,589,065
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$ 0.04038</u>
<u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs vs. the Base Rate Cost (**):</u>		
4	Actual Production Costs and Other Pass-Throughs	\$ 3,606,078
5	Over-Under Collection Adjustment	\$ 129,135
6	Review Period PCOP Costs Adjusted for Over-Under Collections	\$ 3,735,214
7	Actual Water Sales (100 Gallons)	96,367,785
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$ 0.03876
9	Base Rate Cost per 100 Gallons WS (Line 3)	\$ 0.04038
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	\$ (0.00162)
11	Base Rate Case Water Sales 100 Gallons (Line 2)	100,589,065
12	Deferral Amount (Line 10 * Line 11)	<u>\$ (163,337)</u>
<u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u>		
13	Total Deferred Amount (Line 12)	\$ (163,337)
14	Total Deferred Amount Grossed Up for revenue taxes (sum of Gross Receipts Tax and Uncollectibles (Line 13 / (1.0-.03616)) (***)	\$ (169,464)
15	Projected Annual Base Rate Revenue subject to PCOP (*)	47,073,724
16	PCOP % (Line 14 / Line 15)	<u>-0.36%</u>

(*) The numbers are taken from the settlement agreement in Docket No. 12-00049

(**) The numbers are actuals for the year ended November 30, 2015 including Non-Revenue Water for Purchased Power and Chemicals

(***) Assumes Gross Receipts Tax @ 3.0%, Uncollectibles @ 1.0571%, TRA Fee @ 0.4250%, and Forfeited Discount Rate @ -0.8661%

Tennessee American Water Company
Docket No. 15-00111
For the Twelve Months Ending November 30, 2015
PCOP Actual Expenses

Line #	Description	A	B	C	D	E	F
					C - B		E - D
		For the 12 Months Ending 11/30/2015	**NRW Limited 12 Mos Ending 11/2015 (Column A, Lines 1 and 2 x Line 18 Recoverable %)	Authorized Amount Per Docket 12-00049	Difference NRW Limited from Authorized Docket 12-00049	Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2015	Adjusted Difference
1	Purchased Water Including Wheeling Charges	\$ 51,841	\$ 51,841	\$ 51,331	\$ 510		\$ 510
2	Purchased Power***	2,419,901	2,256,687	2,678,772	(422,085)		(422,085)
3	Chemicals	775,728	723,408	986,930	(263,522)		(263,522)
4	Waste Disposal	387,332	387,332	213,308	174,024		174,024
5	TRA Inspection Fee	186,811	186,811	131,826	54,985	-	54,985
6							
7	Total	<u>\$ 3,821,613</u>	<u>\$ 3,606,078</u>	<u>\$ 4,062,167</u>	<u>\$ (456,089)</u>	<u>\$ -</u>	<u>\$ (456,089)</u>
8							
9							
10	Sales in 100 Gallons	96,367,785	96,367,785	100,589,065		96,367,785	
11							
12	Cost per 100 Gallons (Line 7 / Line 10)	<u>\$ 0.03966</u>	<u>\$ 0.03742</u>	<u>\$ 0.04038</u>	<u>\$ (0.00296)</u>	<u>\$ -</u>	<u>\$ (0.00296)</u>
Recoverable % for Production Costs		For the 12 Months Ending 11/30/2015					
13	Sales	96,367,785					
14	System Delivery	123,145,321					
15	Non-Revenue Water % [1 - (Line 13 / Line 14)]	21.7%					
16	Non-Revenue Water % Authorized	15.0%					
17	Variance (If Line 15 > Line 16 then Line 15 - Line 16)	6.7%					
18	Recoverable % (1 - Line 17)	<u>93.3%</u>					

***Non-Revenue Water is only applied to purchased power and chemicals.

Tennessee American Water Usage
Production Costs and Other Pass-Throughs

	<u>Water Usage</u>	<u>System Delivery</u>	<u>NRW</u>
2014 Dec	713,000	954,926	25.33%
2015 Jan	856,650	1,028,422	16.70%
2015 Feb	658,520	954,501	31.01%
2015 Mar	773,739	1,046,402	26.06%
2015 Apr	752,111	975,829	22.93%
2015 May	729,112	1,048,213	30.44%
2015 Jun	902,014	1,054,349	14.45%
2015 Jul	921,893	1,134,693	18.75%
2015 Aug	905,596	1,142,008	20.70%
2015 Sep	888,736	1,038,257	14.40%
2015 Oct	852,882	998,560	14.59%
2015 Nov	682,526	938,372	27.26%
	<u>9,636,778</u>	<u>12,314,532</u>	<u>21.74%</u>
		Average NRW	21.89%

Docket No. 15-00131

Tennessee American Water

Q3 \$ 775,727.92

<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Nov-15</u>	<u>Total</u>
67,104	57,738	53,410	57,138	68,988	64,710	60,073	64,575	77,462	73,004	66,615	64,911	775,728

Chemical Invoices

For the Period Ending November 30, 2015

Docket No. 15-00131
 Chemical Invoices
 Tennessee American Water
 For the Period Ending November 30, 2015

Monthly Totals														TN-Suck Creek		
TN-Chattanooga																
Month	Polyaluminum Chloride	Fluoride	Fluoride	Chlorine	Sodium Hydroxide (Caustic)	Sodium Hydroxide	Sodium Hypochlorite	Polymer	Carbon	Filter Aid	Zinc Orthophosphate	Phosphate, Ortho - Poly	Suck Creek	Total	General Ledger Total	Difference
Dec-14	33,538.39	6,352.94	3.67	6,301.21	121.53	79.46	1,586.12	4,758.60	-	270.72	12,425.40	1,008.78	657.11	67,103.93	66,446.82	657.11
Jan-15	32,894.97	6,308.66	4.49	4,672.46	152.20	99.47	292.72	1,083.68	-	403.20	11,818.23	8.17	-	57,738.25	55,423.40	2,314.85
Feb-15	27,644.36	6,453.01	240.10	5,675.35	-	-	816.98	3,107.34	-	400.32	9,073.02	-	-	53,410.48	53,410.48	-
Mar-15	33,305.30	6,190.21	4.90	6,411.13	-	141.66	34.31	-	-	351.36	10,329.02	7.15	363.15	57,138.19	56,778.99	359.20
Apr-15	38,484.68	6,459.31	513.36	7,119.14	1,529.80	-	692.45	2,438.48	-	118.08	10,565.72	1,066.55	-	68,987.57	68,987.57	-
May-15	28,646.56	7,056.68	213.66	7,873.23	5,243.25	-	586.25	1,449.95	-	-	13,378.83	261.53	-	64,709.94	65,052.24	(342.30)
Jun-15	30,610.63	871.92	279.79	8,938.65	2,140.00	303.95	1,155.44	1,927.49	-	-	13,533.92	311.28	-	60,073.07	60,376.23	(303.16)
Jul-15	38,999.69	-	9.40	9,464.83	1,712.79	184.74	40.33	-	-	-	14,149.03	14.30	-	64,575.11	64,598.81	(23.70)
Aug-15	35,666.25	-	513.82	9,223.91	-	88.61	1,934.00	4,723.90	7,755.51	-	16,323.96	577.21	654.87	77,462.04	77,526.31	(64.27)
Sep-15	31,321.56	5,682.27	258.35	8,432.48	-	-	1,668.15	2,183.27	9,918.56	-	13,255.12	284.21	-	73,003.97	73,326.43	(322.46)
Oct-15	37,041.25	6,394.04	262.12	7,469.73	-	150.04	1,752.83	1,779.01	-	-	11,459.48	306.08	-	66,614.58	66,939.42	(324.84)
Nov-15	40,618.13	5,684.80	92.76	6,313.11	-	-	513.70	542.30	-	256.32	9,989.55	99.40	800.72	64,910.79	64,224.83	685.96
Total	\$ 408,771.77	\$ 57,453.84	\$ 2,396.42	\$ 87,895.23	\$ 10,899.57	\$ 1,047.93	\$ 11,073.28	\$ 23,994.02	\$ 17,674.07	\$ 1,800.00	\$ 146,301.28	\$ 3,944.66	\$ 2,475.85	\$ 775,727.92	\$ 773,091.53	\$ 2,636.39