

STATE OF TENNESSEE

Office of the Attorney General



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August 15, 2016

Sharla Dillon
Docket and Records Office
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

Re: Petition of Tennessee American Water Company for the Reconciliation of the 2016
Capital Riders - TRA Docket No. 16-00022

Dear Ms. Dillon:

In response to the Authority's data request of August 9, 2016, the Consumer Protection and Advocate provides:

1. Did Tennessee-American Water's response to your informal data requests of July 5, 2016 and July 7, 2016 alleviate your concerns regarding accumulated depreciation, accumulated deferred tax and depreciation expense? If not, please explain CPAD's concerns and provide with specificity the quantitative impact of those concerns.

RESPONSE:

No. Tennessee-American Water Company's ("TAWC's" or "the Company's") responses to the informal data requests of July 5 and July 7 did not alleviate the CPAD's concerns regarding accumulated depreciation, accumulated deferred tax and depreciation expense.

Specifically, TAWC is proposing that the additions to Plant in Service for 2014 remain the same as in the prior docket while the 2014 depreciation expense, which is based on these same plant additions, has somehow changed from the previous docket.¹ It is worth noting that the

¹ "Please refer to the response in CPAD3-3 where the Company states that "It is Tennessee American's position that the 2014 plant in service amounts did not change from Docket No. 15-00029 to the current docket." Then compare this statement with the response to CPAD3-2 where the Company states that "Tennessee American believes that based on that authorization process, the specific depreciation expense included was reflected although the amount was not called out specifically in the Order in Docket No. 15-00029.

Company made no mention of this interpretation of depreciation expense either in the testimony of its witnesses or in the footnotes to its capital rider calculations. Instead, the Company unilaterally changed the capital rider calculation without any notice, forcing the CPAD to pursue the reasons for this change through time consuming data requests.

The CPAD originally requested an extension of the procedural schedule in order to allow us to adequately address this issue. Unfortunately, the notice for this request of an extension to the procedural schedule was denied by the hearing officer on July 18th, meaning that the testimony of the CPAD's witnesses was due on July 19. Without the opportunity for further intervenor discovery, the CPAD was forced to file testimony without the ability to quantify this issue.

It is the CPAD's position that there is no reason to rush this docket to hearing without fully investigating all open issues including depreciation expense. The capital rider reconciliation is a complex process with changes to plant additions cascading to depreciation expense calculations, accumulated depreciation calculations and accumulated deferred income tax calculations. The review of these calculations takes time and since the capital rider mechanism provides for interest recovery, the Company is made whole on the timing of when new rates actually go into effect.

Sincerely,

A handwritten signature in dark ink, reading "Vance L. Broemel". The signature is fluid and cursive, with the first name "Vance" being the most prominent.

Vance L. Broemel
Senior Counsel
(615)741-8733

cc: All parties of record