BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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 AND IN SUPPORT OF THE CALCULATION OF THE 2016 CAPITAL RIDERS RECONCILIATION	)	**Docket No. 16-00022**

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

To: Tennessee American Water Company
C/O Melvin J. Malone, Esq.
Butler, Snow, O'Mara, Stevens & Cannada, PLLC
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

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

As used herein, the "Company" refers to Tennessee American Water Company.

DISCOVERY REQUESTS

1. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 In-Serviced Actual" tab of this spreadsheet. Now refer to Column BA of this spreadsheet tab which calculates "Average Plant in Service" for 2015 using a 13-month average.

Next refer to the "WKP_2014 In-Serviced Actual" tab of this same spreadsheet. Now refer to Column AS of this spreadsheet tab which calculates "Average Plant in Service" for 2014 using a 12-month average (no beginning balance considered at January 1, 2014).

It appears that the Company has changed the formula for calculating "Average Plant in Service" from a 12-month average for 2014 (no balance considered at January 1, 2014) to a 13-month average for 2015. It also appears that the Company has made this change to the capital rider calculation without any notice in the Company's testimony and without any footnote reference in the Capital Rider workpapers. In connection with this change to the average plant in service calculation, please answer the following:

a. Provide the reasons for this formula change;
b. Explain why the Company did not disclose this formula change in its testimony or workpapers;
c. Explain which average plant in service calculation (12-month average or 13-month average) that the Company now considers to be correct;
d. If the Company considers the 2014 calculation of average plant in service to now be in error, please provide a complete updated filing calculation; and
e. If the Company considers the 2015 calculation of average plant in service to now be in error, please provide a complete updated filing calculation.

RESPONSE:

2. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 Retires Actual" tab of this spreadsheet. Now refer to Column BA of this spreadsheet tab which calculates "Average Retirements" for 2015 using a 13-month average.

   Next refer to the company workpapers from the 2014 capital rider reconciliation in TRA docket 15-00029. In the previous reconciliation docket, the Company calculated "Average Retirements" for 2014 using a 12-month average (no beginning balance considered at January 1, 2014).

   It appears that the Company has changed the formula for calculating "Average Retirements" from a 12-month average for 2014 to a 13-month average for 2015. It also appears that the Company has made this change to the capital rider calculation without any notice in the Company's testimony and without any footnote reference in the Capital Rider workpapers. In connection with this change to the average retirement calculation, please answer the following:

   a. Provide the reasons for this formula change;
   b. Explain why the Company did not disclose this formula change in its testimony or workpapers;
   c. Explain which average retirement calculation (12-month average or 13-month average) that the Company now considers to be correct;

d. If the Company considers the 2014 calculation of average retirement to now be in error, please provide a complete updated filing calculation; and
e. If the Company considers the 2015 calculation of average retirement to now be in error, please provide a complete updated filing calculation.

RESPONSE:

3. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 COR Actual" tab of this spreadsheet. Now refer to Column BA of this spreadsheet tab which calculates "Average COR less Salvage" for 2015 using a 13-month average.

   Next refer to the company workpapers from the 2014 capital rider reconciliation in TRA docket 15-00029. In the previous reconciliation docket, the Company calculated "Average COR" for 2014 using a 12-month average (no beginning balance considered at January 1, 2014).

   It appears that the Company has changed the formula for calculating "Average COR" from a 12-month average for 2014 to a 13-month average for 2015. It also appears that the Company has made this change to the capital rider calculation without any notice in the Company's testimony and without any footnote reference in the Capital Rider workpapers. In connection with this change to the average cost-of-removal calculation, please answer the following:

   a. Provide the reasons for this formula change;
   b. Explain why the Company did not disclose this formula change in its testimony or workpapers;
   c. Explain which average cost-of-removal calculation (12-month average or 13-month average) that the Company now considers to be correct;
   d. If the Company considers the 2014 calculation of average cost-of-removal to now be in error, please provide a complete updated filing calculation; and
   e. If the Company considers the 2015 calculation of average cost-of-removal to now be in error, please provide a complete updated filing calculation.

RESPONSE:

4. Refer to the spreadsheet titled "TAW_R_CPADDR3_003_072516_Attachment5" that was provided by the Company in response to Item #3 of the CPAD's third informal discovery request. Specifically refer to the "WKP_2014 In-Serviced Actual" tab of this spreadsheet. Now refer to Column AU of this spreadsheet tab which calculates "Depreciation Expense" for 2014 that also flows into the accumulated depreciation calculation for 2015. These calculations provide the formula support for the 2014 depreciation expense (hard-coded numbers) included by the Company in the current filing.

The Company asserts that this "...specific depreciation expense was included" in the TRA's approval of the 2014 capital rider reconciliation.[1] However, the "Depreciation Expense" calculation for 2014 on this schedule appears to be in error because it does not include December (Period 12) in the calculation. Further, the totals for the "Depreciation Expense" calculation for 2014 on this schedule do not appear to tie to the details of the "WKP-Net Invest Results" spreadsheet tab included with the Company's 2014 capital rider reconciliation precisely because the Company has excluded the December 2014 depreciation expense calculation. This apparent error appears to understate accumulated depreciation in the 2015 rider reconciliation which would therefore overstate the proposed rider surcharge.

In connection with this apparent error in the 2014 depreciation expense calculation, please answer the following:

a. Admit or deny whether the Company's 2014 depreciation expense described above is in error. If the Company believes that the 2014 depreciation expense is in error, then please provide a complete updated filing calculation. If the Company believes that the 2014 depreciation expense is not in error, please provide a complete explanation as to why; and
b. If the Company believes that the 2014 depreciation expense described above is in error, please provide a supplemental response to CPAD data request 3-2.

RESPONSE:

5. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 Tax Depreciation" tab of this spreadsheet. Now refer to Columns BD and BE of this spreadsheet tab which contain the "Year 1" and "Year 2" tax depreciation rates. It appears that the Company has included the wrong tax depreciation rates for certain 39-Year property. Specifically, it appears that the Company has included a 2.56% rate for year 1 instead of the correct 1.28% rate for the following accounts:

Business Unit Q	Account 304100
Business Unit Q	Account 304200
Business Unit Q	Account 304300
Business Unit Q	Account 304500
Business Unit Q	Account 304700
Business Unit R	Account 304300

If the Company believes that the Year 1 tax depreciation rates for 39-Year Property are in error, then please provide a complete updated filing calculation. If the Company believes that the Year 1 tax depreciation rates are not in error, then please provide a complete explanation as to why.

[1] Company response to CPAD discovery request 3-2 in this docket 16-00022.

RESPONSE:

6. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 Tax Depreciation" tab of this spreadsheet. Now refer to Column Y of this spreadsheet tab which contains the "Prior 2014 Actual" cumulative plant additions. It appears from the formulas in this column that the Company netted the previous year cumulative plant additions along with plant retirements. However, the tax depreciation calculation typically applies to vintage plant additions only. As a result, it appears that the plant retirements should be excluded from the "Prior 2014 Actual" amounts.

   If the Company believes that the "Prior 2014 Actual" amount of cumulative plant additions in the tax depreciation calculation are in error, then please provide a complete updated filing calculation. If the Company believes that the "Prior 2014 Actual" amount of cumulative plant additions in the tax depreciation calculation are not in error, then please provide a complete explanation as to why.

RESPONSE:

7. Refer to the spreadsheet titled "TAW_TRA_2015_CapRider_Recon_030116" that was included with the Company's filing. Specifically refer to the "WKP_2015 Tax Depreciation" tab of this spreadsheet. Now refer to Column BF of this spreadsheet tab which contains the "Year 1 Tax Depreciation" calculation. It appears from the formulas in this column that the Company has used the average plant balance for tax depreciation calculation instead of the cumulative end-of-year balance. Since tax depreciation calculations are typically calculated on total asset investment, it appears that the Company's "Year 1 Tax Depreciation" calculation is incorrect.

   As further support, please reference the Company's response to CPAD DR2-6 in the previous 15-00111 docket where the Company stated "Yes, the MACRS tax depreciation rates should be applied to the cumulative plant additions for each vintage year instead of the average plant balance for the year."

   If the Company believes that the "Year 1 Tax Depreciation" calculations are in error, then please provide a complete updated filing calculation. If the Company believes that the "Year 1 Tax Depreciation" calculations are not in error, then please provide a complete explanation as to why.

RESPONSE:

8. Refer to the Company's response to CPAD DR2-3 in this docket which requested the source and support for the 2014 Reconciliation Amounts. Please provide a copy of the Company's revised exhibit titled "TAW_TRA_15-00029_RevisedExhibits _10_26_15" that was referenced in the Company's response. In addition, please provide a confirmation that there have been no adjusting entries to the original 2014 reconciliation

amounts on the Company's books and records that were first included in TRA Docket 15-00029.

RESPONSE:

9. Refer to the spreadsheet titled "TAW_TRA_2015_Revenues _030116" that was included with the Company's filing. Specifically refer to the "Recon" tab of this spreadsheet. Please provide the following information associated with this spreadsheet:

   a. A complete explanation of the variance amounts contained in Column R;
   b. A monthly income statement from January 2014 through December 2015 that confirms the revenues collected for both the previous and current filings;
   c. A print-out from the Company's accounting system confirming these revenues; and
   d. A new monthly detail reconciliation from January 2014 through December 2015.

RESPONSE:

RESPECTFULLY SUBMITTED,

Vance L. Bromel

VANCE L. BROMEL (BPR #11421)
Assistant Attorney General
Office of the Attorney General
Consumer Protection and Advocate Division
P.O. Box 20207
Nashville, Tennessee 37202-0207
615-741-8733

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

Melvin J. Malone, Esq.
Paige Ayres, Esq.
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com
paige.ayers@butlersnow.com

This the 29 day of August 2016.

Vance L. Broemel
VANCE L. BROEMEL