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June 21, 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 In Support of the Calculation of the 2016 Capital Riders Reconciliation, TRA Docket No. 16-00022

Dear Chairman Hilliard:

Attached for filing please find *Tennessee-American Water Company's Responses to First Discovery Requests of the Tennessee Regulatory Authority* 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
Attachment
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

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TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 16-00022
FIRST DISCOVERY REQUEST OF THE
TENNESSEE REGULATORY AUTHORITY

Responsible Witness: Brent O'Neill

Question:

1. On page 12 of Mr. O'Neill's testimony he states the projected spend for all three riders was 27.9% under projections. He further states this is reflected in the Exhibits to Ms. Bridwell's testimony. Please provide a copy of Ms. Bridwells' exhibit demonstrating the spend was 27.9% under projections. Provide all supporting calculations.

Response:

Attached is **Petitioner's Exhibit Capital Riders Reconciliation—LCB**, page 1 of 1, that was included with Ms. Bridwell's testimony. The calculation of the 27.9% was based on the expected (Budget) average year to date spend with projects placed in service compared to the actual spend for all three riders found on line 1 of the Exhibit. The Total Average YTD 12/31/2015 Actual Additions Subject to Rider was $12,810,147 compared to the Total Average YTD 12/31/2015 Budget Additions Subject to Rider of $17,766,627. This was a difference of $4,956,480. The 27.9% is the based on the variance of $4,956,480 divided by the Budget Additions to Rider of $17,766,627.

Tennessee American Water Company
Qualified Infrastructure Improvement Program Rider (QIIP)
Economic Development Investment Rider (EDI)
Safety and Environmental Compliance Rider (SEC)
Reconciliation of the Calculation of Revenue Requirement
As of 12/31/2015

		Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2015			Economic Development Investment EDI Average YTD 12/31/2015			Safety and Environmental Compliance SEC Average YTD 12/31/2015			Total Average YTD 12/31/2015		
Line Number	Description	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	$7,609,247	$6,530,250	$1,078,997	$366,908	$181,465	$185,443	$4,833,992	$11,054,912	($6,220,920)	$12,810,147	$17,766,627	($4,956,480)
2	Plus: Cost of Removal less Salvage	143,882	785,489	(641,607)	574	0	574	147,392	67,036	80,356	291,849	852,525	(560,676)
3	Less: Contributions in Aid to Construction (CIAC)	0	0	0	0	0	0	0	0	0	0	0	0
4	Less: Deferred Income Taxes	31,376	(20,076)	51,452	653	603	50	4,086	(31,465)	35,551	36,116	(50,938)	87,054
5	Less: Accumulated Depreciation	93,594	188,222	(94,628)	3,264	2,146	1,118	89,948	239,867	(149,919)	186,806	430,235	(243,429)
6	Net Investment Supplied Additions:	$7,628,158	$7,147,593	$480,565	$363,565	$178,716	$184,849	$4,887,350	$10,913,546	($6,026,196)	$12,879,073	$18,239,855	($5,360,782)
7													
8	Pre-Tax Authorized Rate of Return:	9.45%	9.45%		9.45%	9.45%		9.45%	9.45%		9.45%	9.45%	
9	Pre-Tax Return on Additions:	$721,195	$675,760	$45,434	$34,373	$16,896	$17,476	$462,069	$1,031,808	($569,739)	$1,217,636	$1,724,465	($506,829)
10													
11	Depreciation Expense on Additions:	124,233	207,547	(83,314)	5,298	2,546	2,752	164,532	432,984	(268,452)	294,063	643,077	(349,014)
12													
13	Property and Franchise Taxes Associated:	99,412	86,619	12,793	4,951	2,452	2,499	59,846	146,897	(87,051)	164,209	235,968	(71,759)
14													
15	Revenues:	944,840	969,926	(25,087)	44,622	21,894	22,727	686,447	1,611,689	(925,242)	1,675,909	2,603,510	(927,601)
16													
17	Revenue Taxes	3.19%	3.19%		3.19%	3.19%		3.19%	3.19%		3.19%	3.19%	
18	Total Revenues with Revenue Taxes	$975,983	$1,001,897	($25,914)	$46,093	$22,616	$23,477	$709,073	$1,664,813	($955,740)	$1,731,150	$2,689,326	($958,177)
19													
20													
21	Actual Revenues Billed		$659,580			$54,850			$767,129			$1,481,559	
22													
23	(Over)/Under Revenue Billings		342,317			(32,234)			897,684			1,207,767	
24	Budget to Actual Adjustment		(25,914)			23,477			(955,740)			(958,177)	
25	2014 Reconciliation Amount		89,598			(52,834)			22,600			59,365	
26	Earnings Test Adjustment											0	
27	Interest (Prime - 3.50%)		7,105			(1,078)			(620)			5,407	
28													
29	Reconciliation Amount		$413,107			($62,669)			($36,075)			$314,362	
30													
31	Authorized Revenues (9/12th)		$35,305,293			$35,305,293			$35,305,293			$35,305,293	
32													
33	Current Reconciliation Factor Percentage		1.170%			-0.178%			-0.102%			0.890%	
34													

Explanation:
Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total ratebase is calculated by the Tennessee Regulatory Authority in a rate case.
This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 16-00022
FIRST DISCOVERY REQUEST OF THE
TENNESSEE REGULATORY AUTHORITY

Responsible Witness: Linda C. Bridwell

Question:

1. On page 7, line 10 of Ms. Bridwell's testimony she states "…utilizing 12 month average end-of-month…." Again, on page 8, line 23 she states a 12 month average is used. Ms. Bridwell's exhibit page 1 of 1 states Tennessee American Water has been authorized to use a 13-month average. Please reconcile these statements.

Response:

In Docket No. 13-00130, under the original petition requesting authorization of the Capital Riders, Tennessee American used a 12 month average of all balances to accommodate that the initial balances were all zero. After the initial review period, all subsequent filings have used a 13-month average as authorized. The language used on page 7 and page 8 was inadvertently adopted from descriptions in the initial docket and should have been updated for this filing. As authorized by the TRA, a 13-month average was used for the review period 2015 in this petition.