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July 27, 2017

VIA ELECTRONIC FILING

Hon. David Jones, Chairman
c/o Sharla Dillon
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Petition of Tennessee-American Water Company in Support of the Calculation of the 2017 Capital Recovery Riders Reconciliation, TPUC Docket No. 17-00020

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Responses to Fourth Discovery Requests of the Consumer Protection and Advocate 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

MJM:bh
Enclosure

cc: Daniel Whitaker III, Assistant Attorney General, Consumer Protection and Advocate Division
Wayne Irvin, Assistant Attorney General, Consumer Protection and Advocate Division
Vance Broemel, Assistant Attorney General, Consumer Protection and Advocate Division

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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
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 2017 CAPITAL RECOVERY
RIDERS RECONCILIATION**

DOCKET NO. 17-00020

**TENNESSEE-AMERICAN WATER COMPANY'S RESPONSES
TO FOURTH DISCOVERY REQUESTS OF
THE CONSUMER PROTECTION AND ADVOCATE DIVISION**

Tennessee-American Water Company ("TAWC"), by and through counsel, hereby submits its Responses to the Fourth Discovery Requests propounded by the Consumer Protection and Advocate Division ("CPAD").

GENERAL OBJECTIONS

1. TAWC objects to all requests that seek information protected by the attorney-client privilege, the work-product doctrine and/or any other applicable privilege or restriction on disclosure.

2. TAWC objects to the definitions and instructions accompanying the requests to the extent the definitions and instructions contradict, are inconsistent with, or impose any obligations beyond those required by applicable provisions of the Tennessee Rules of Civil Procedure or the rules, regulations, or orders of the Tennessee Public Utility Commission ("TPUC" or "Authority").

3. The specific responses set forth below are based on information now available to TAWC, and TAWC reserves the right at any time to revise, correct, add to or clarify the objections or responses and supplement the information produced.

4. TAWC objects to each request to the extent that it is unreasonably cumulative or duplicative, or seeks information obtainable from some other source that is more convenient, less burdensome or less expensive.

5. TAWC objects to each request to the extent it seeks information outside TAWC's custody or control.

6. TAWC's decision, now or in the future, to provide information or documents notwithstanding the objectionable nature of any of the definitions or instructions, or the requests themselves, should not be construed as: (a) a stipulation that the material is relevant or admissible, (b) a waiver of TAWC's General Objections or the objections asserted in response to specific discovery requests, or (c) an agreement that requests for similar information will be treated in a similar manner.

7. TAWC objects to those requests that seek the identification of "any" or "all" documents or witnesses (or similar language) related to a particular subject matter on the grounds that they are overbroad and unduly burdensome, and exceed the scope of permissible discovery.

8. TAWC objects to those requests that constitute a "fishing expedition," seeking information that is not relevant or reasonably calculated to lead to the discovery of admissible evidence and is not limited to this matter.

9. TAWC does not waive any previously submitted objections to the CPAD's supplemental discovery requests.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 17-00020
FOURTH DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION**

Responsible Person: Linda C. Bridwell

Question:

1. Refer to the Company's response to CPAD 3-3C regarding support for the financials included in the calculation of the Earnings Test. The "Deferred Income Taxes" balance has been provided and ties to the support provided in the "GL Transactions" tab of the spreadsheet "TAW_R_CPADDR3_003_Attachment_0621173." However, this amount does not tie to the Accumulated Deferred Income Taxes provided in Line #16 of the spreadsheet "12 - TAW_TRA_2016_ Workpaper_Earnings Test." For instance, the December 2016 balance for Deferred Income Taxes provided in the Company's financial data was \$45,757,762. However, the December 2016 balance for Accumulated Deferred Income Taxes provided in the Earnings Test calculation was \$38,266,527.

In the Company's response to CPAD 1-11, the Company noted that the Accumulated Deferred Income Taxes line is combined with appropriate regulatory liabilities and would not tie to the monthly report. In the Company's response to CPAD 2-5B, the Company provided an itemization of the Accumulated Deferred Income Taxes for December 2016, but the itemization does not tie to the Accumulated Deferred Income Taxes used for the Earnings Test (which include additional regulatory liabilities).

Provide a reconciliation of the Accumulated Deferred Income Taxes (including regulatory liabilities) that ties to the monthly amounts provided in line 16 of the spreadsheet "12-TAW_TRA_2016_ Workpaper_Earnings Test."

Response:

Please refer the attachment with the delineated accounts included for both \$38,266,527 and \$45,757,762. Upon further review three accounts were included that should not have been. Those accounts are 25633000, 25700000 and 25710000. The updated accumulated deferred income tax should therefore be \$40,684,160.

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Response to TAW-R-CPADDR4-001-072617

<u>Structure</u>	<u>G/L Account</u>	<u>Account</u>	<u>NARUC</u>	<u>December 2016</u>	<u>Grand Total</u>	<u>Type</u>
Regulatory Assets	RA-ITRtR-AFUDC CWIP	18503000	B1862	121,995		
	RA-ITRtR-AFUDC Eqty	18503500	B1862	1,711,051		
	RA-ITRtR-Plant F/T	18504000	B1862	0		
	RA-ITRtR-Other	18504500	B1862	629,456		
	RA-ITRtR-St TaxChge	18505100	B1862	3,066,331		
	RA-ITRtR-Accu Amort	18505500	B1862	(448,437)	5,080,395	DEDUCT
Deferred Income Taxes	Def FIT LiabNormProp	25310000	B283	17,668		
	Def FIT Liab-Other	25311000	B283	38,935,586		
	Def SIT Liab-Other	25321000	B283	6,804,508	45,757,762	ADD
Regulatory liability	RL-ITRR-ExDfAFUDCFIT	25621100	B253	337,344		
	RL-ITRR-Deficit Def	25622000	B253	(396,443)		
	RL-ITRR-ExcDefDpSIT	25623200	B253	(185,125)		
	RL-ITRR-ITC GrUp3%	25626000	B253	6,060		
	RL-ITRR-ITC GrUp4%	25626100	B253	29,075		
	RL-ITRR-ITC GrUp10%	25626200	B253	215,883		
	RL-Pension Tracker	25633000	B253	1,505,860		
	RL-Cost of Removal	25700000	B1081	(1,047,281)		
	RL-COR RWIP	25710000	B1862	(2,876,211)	(2,410,839)	ADD
					<u>38,266,527</u>	

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 17-00020
FOURTH DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION**

Responsible Person: Linda C. Bridwell

Question:

2. Refer to the Company's response to CPAD 3-3 regarding support for the financials included in the calculation of the Earnings Test. Additionally, refer to the spreadsheet "12- TAW_TRA_2016_ Workpaper_Earnings Test." Provide the source and support for each of the monthly amounts provided on line 34 "Income tax rate (debt assigned to parent)."

Response:

Please refer to the attachment for the monthly percent Income tax rate (debt assigned to parent). The calculation from the monthly reports used a rate of 38.90%. The actual rate changed and should 39.225% for all of 2016. The rates are 6.50% for state and 35% for Federal. $(6.5\% \times 65\% \text{ plus } 35\%) = 39.225\%$.

A supplemental response to Item 1 of this discovery request will include a revision to the surcharge that includes this information.

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	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	Jul 2016	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016
TAX RATE	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%	38.90%
INTEREST FOR MONTH	17,705	17,799	17,912	18,190	18,332	18,342	18,329	18,310	18,251	18,244	18,233	18,381

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FOURTH DISCOVERY REQUEST OF THE
CONSUMER PROTECTION AND ADVOCATE DIVISION**

Responsible Person: Linda C. Bridwell

Question:

3. Refer to the Company's response to CPAD 2-5D-ii and CPAD 2-5D-iii regarding Accounts payable applicable to CWIP and Unpaid for materials and supplies. Based on the Company's response, it appears that the Company has no tangible support for including these amounts in the rate of return calculation. If this is incorrect, then provide the Company's rationale for not removing these items from the rate of return calculation.

Response:

While there is no specific accounts payable accounts to track accounts payable applicable to CWIP and Unpaid materials and supplies, TAWC believes it is appropriate to include an estimate in the monthly report. Accounts payable account includes a massive amount of data. To perform the monthly task to retrieve items associated with CWIP and Materials and Supplies accounts payable would be a very burdensome effort. Therefore, we have used representative calculated amounts for these items and carried them forward from year to year.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 17-00020
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Responsible Person: Linda C. Bridwell

Question:

4. Refer to the Company's response to CPAD 3-3D regarding deferred income taxes. The amounts calculated in the Company's response (\$267,086 CIAC-DefFIT and \$2,358 CIAC-DefSIT; totaling \$269,444) do not tie to the December 2016 amount for "Taxes on CIAC-DEF. FIT & SIT" of \$315,811 provided in line 57 of the "Workpaper Earnings Test" tab of the spreadsheet "12 - TAW_TRA_2016_Workpaper_Earnings Test." Provide supporting calculations for each of the monthly amounts (December 2015- December 2016) on line 57 ("Taxes on CIAC-DEF. FIT & SIT") of the "Workpaper Earnings Test" tab.

Response:

The calculation for CIAC-Def FIT at December 2016 consists of \$284,421 plus the difference between the December 2015 balance of \$165,312 and December 2016 \$112,623 or \$52,689. This amount is reduced by the State tax 6%. ($\$52,689 \times 6\% = \$3,161$). The amount of \$49,528, ($\$52,689 - \$3,161$) is used for federal tax purposes. \$49,528 is multiplied by the federal tax rate of 35%. $\$49,528 \times 35\% = \$17,335$. This is then deducted from the total $\$284,421 - \$17,335 = \$267,086$.

The above information is restated from CPAD 3-3D.

The calculation for CIAC-Def SIT at December 2016 consists of \$51,886 plus the difference between the December 2015 balance of \$165,312 and December 2016 \$112,623 or \$52,689. \$52,689 times the State tax 6% deduction equals \$3,161. ($\$51,886 - \$3,161$) = \$48,725.

Grand total for both CIAC-Def FIT and CIAC-Def SIT
 $\$267,086 + \$48,725 = \$315,811$.


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

Sworn to and subscribed before me
this 27th day of July, 2017.


Notary Public

My Commission Expires: 7/25/2020

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:

Daniel Whitaker III, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Protection and Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207

This the 27th day of July, 2017.



Melvin J. Malone