

BUTLER | SNOW

April 27, 2018

VIA ELECTRONIC FILING

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

RE: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2018 Capital Recovery Riders Reconciliation, Docket No. 18-00022*

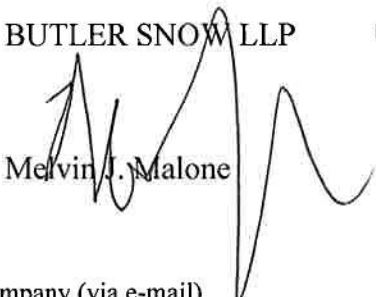
Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Responses to First Discovery Requests of the Consumer Protection and Advocate Division* in the above-captioned matter. Please note that Attachment 1 and Attachment 2 to the Response to Discovery Request No. 2 are being submitted **UNDER SEAL** as **CONFIDENTIAL** and **PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of Attachment 1 and Attachment 2 are attached.

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 (via e-mail)
Daniel Whitaker, Assistant Attorney General, Consumer Protection and Advocate Division (via email)
Karen H. Stachowski, Assistant Attorney General, Consumer Protection and Advocate Division (via email)

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BUTLER SNOW LLP

**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,)	DOCKET NO. 18-00022
AND THE SAFETY AND)	
ENVIRONMENTAL COMPLIANCE)	
RIDER AND IN SUPPORT OF THE)	
CALCULATION OF THE 2018 CAPITAL)	
RECOVERY RIDERS RECONCILIATION)	

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

Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Responses to the First 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. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION

Responsible Witness: **Linda C. Bridwell**

Question:

1. Refer to Linda C. Bridwell Direct Testimony at page 5, lines 12-14. Specifically, refer to the statement that "...accounting data set forth in this filing is reflected in the Company's General Ledger, or have been reconciled from the Company's General Ledger to the filing in the workpapers provided with the filing." Provide such GL information or reconciliation to the General Ledger supporting the level of ADIT contained within the *Petition*.

Response:

The statement in the testimony referenced was intended to represent that all of the amounts in the calculations are either included within the GL totals, or the entire amount is detailed and can reconcile to the GL balances of Tennessee American. The amounts detailed and reconciled to the general ledger pertained to the actual amounts for the hard coded values on the tab "WKP 2017 Actuals" in the excel file "TAW_2017_Captial_Rider_Recon". Amounts that are calculated values, including ADIT, have been presented in this filing as such. The calculations utilized in these filings are representative and consistent with the calculations from prior filings.

Please refer to the attachment for the GL account balances of ADIT for all of Tennessee American. Tennessee American keeps its assets on its books in a mass asset format. Tennessee American can pull out the specific assets that pertain to the riders, and use the amount of those assets to calculate the amount of depreciation, tax, or ADIT based on the same calculations that are utilized to calculate the amount on the mass asset. This is part of the calculation of the Capital Recovery Riders and the Reconciliation of the Capital Recovery Riders. Tennessee American systems do not maintain the detail level of assets that would allow the components identified in the Capital Riders, including ADIT, to be calculated using the internal systems. We suppose a manual reconciliation of those individual component amounts to the GL balances could be performed, however, that would be counter to the streamlined ratemaking approach contemplated in the alternative ratemaking process.

C F	Comp code	Bus. area	Texts	Reporting period (01.2017-12.2017)	Comparison period (01.2016-12.2016)	Absolute difference	Rel dif
	1026		25310000 Deferred FIT Liability - Normalized Pro	17,668.00-	17,668.00-	0.00	
	1026		25311000 Deferred FIT Liability - Other	21,323,907.74-	38,935,585.74-	17,611,678.00	45.2
			Federal Deferred income taxes long-term	21,341,575.74-	38,953,253.74-	17,611,678.00	45.2
	1026		25321000 Deferred SIT Liability - Other	5,903,619.94-	6,804,507.94-	900,888.00	13.2
			State Deferred income taxes long-term	5,903,619.94-	6,804,507.94-	900,888.00	13.2
			Deferred income taxes	27,245,195.68-	45,757,761.68-	18,512,566.00	40.5
			Regulatory and other long-term liabilities	27,245,195.68-	45,757,761.68-	18,512,566.00	40.5
			CAPITAL AND LIABILITIES	27,245,195.68-	45,757,761.68-	18,512,566.00	40.5
			BALANCE SHEET	27,245,195.68-	45,757,761.68-	18,512,566.00	40.5

C F	Comp code	Bus. area	Texts	Reporting period (01.2015-12.2015)	Comparison period (01.2014-12.2014)	Absolute difference	Rel dif
	1026		25340000 Deferred FIT Liability - Current	0.00	38,584.00-	38,584.00	100.0
	1026		25349000 Deferred FIT Asset - Current	0.00	63,429.00	63,429.00-	100.0-
			Federal Deferred income taxes current	0.00	24,845.00	24,845.00-	100.0-
	1026		25311000 Deferred FIT Liability - Other	35,947,448.74-	30,286,366.74-	5,661,082.00-	18.7-
			Federal Deferred income taxes long-term	35,947,448.74-	30,286,366.74-	5,661,082.00-	18.7-
	1026		25321000 Deferred SIT Liability - Other	6,610,264.94-	5,319,699.94-	1,290,565.00-	24.3-
			State Deferred income taxes long-term	6,610,264.94-	5,319,699.94-	1,290,565.00-	24.3-
			Deferred income taxes	42,557,713.68-	35,581,221.68-	6,976,492.00-	19.6-
			Regulatory and other long-term liabilities	42,557,713.68-	35,581,221.68-	6,976,492.00-	19.6-
			CAPITAL AND LIABILITIES	42,557,713.68-	35,581,221.68-	6,976,492.00-	19.6-
			BALANCE SHEET	42,557,713.68-	35,581,221.68-	6,976,492.00-	19.6-

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 180022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

2. Provide the calculation of TAWC Taxable income supporting entries made to the TAWC General Ledger for the years 2015 through 2017.

Response:

At each year end, the Company estimates its full year taxable income and tax provision. Once the tax return is filed in the next year, the balances in the ledger are trued up to the tax return. Please refer to Confidential TAW_R_CPADDR1_NUM002_042718_Attachment 1 and Confidential TAW_R_CPADDR1_NUM002_042718_Attachment 2 for the TAWC federal income tax proformas for 2015 and 2016, that were included in its parent company's, American Water Works Company, Inc., filed tax returns, and for which TAWC is a part. See Schedule M-3, which shows how the taxable income was derived and the book to tax differences to get there. See TAW_R_CPADDR1_NUM002_042718_Attachment 3 for the 2017 provision calculation since the tax return will not be finalized and filed until Oct 2018.

The confidential attachments have been filed under separate cover.

Provision Report (Reporting)
2017 Combined December YE Final 10K, 1026 Tennessee American

APTBI: Above the Line Pre-Tax Book Income	13,114,774	
BPTBI: Below the Line Pre-Tax Book Income	<u>30,842</u>	
Total Pre-Tax Book Income		13,145,616
GA: Georgia	22,650	
TN: Tennessee	<u>396,848</u>	
Deductible State Tax		(419,498)
P001: Meals & Entertainment	22,933	
P004: Lobbying Expense	94,328	
P017: Stock Options RSU ESPP Windfall	(65,229)	
P901: Domestic Production Deduction	<u>(77,278)</u>	
Permanent Differences		(25,246)
Financial Taxable Income		<u>12,700,871</u>
T001: Bad Debt	26,477	
T002: Vacation Pay	10,309	
T100: Depreciation	(2,839,286)	
T101: Amortization	7,485	
T104: Abandonment Losses	(202,618)	
T105: Repairs	(5,328,737)	
T106: Cost of Removal	(3,217,112)	
T107: AFUDC	(151,844)	
T108: CIAC	(118,552)	
T109: Pavement Repairs	(1,555)	
T110: Miscellaneous Deferred Credits	319,310	
T111: Litigation Reserve	(10,000)	
T128: FAS 123 (r) Stock Options	(36,338)	
T129: FAS 123 (r) Restricted Stock Units	42,803	
T130: FAS 123 (r) ESPP	(59)	
T131: Incentive	(16,533)	
T132: Pension	13,012	
T133: OPEB	(2)	
T147: Taxable Advances (CAC)	(42,652)	
T150: 481 Adjustment related to Repairs	842,765	
T404: 481 Adjustment related to Incentives	50,600	
T410: Captive Insurance	18,302	
T411: 481 Adjustment Captive Insurance	169,342	
T580: CIAC Non-Taxable	1,570,765	
T581: CIAC Non-Taxable Plant Reclass	<u>(1,570,765)</u>	
Temporary Differences		(10,464,883)
Federal Taxable Income (Pre-NOL)		<u>2,235,988</u>

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

3. Provide the underlying calculation of TAWC book and tax depreciation for each rider that reconcile to the amounts of book and tax depreciation contained within the composite tax filing that American Water Company (or any applicable affiliate) submitted, which contains TAWC data.

Response:

Similar to the response to question 1 of the CPAD's first discovery request in this docket, the data is pulled from the Rider and the tax calculations simulate the calculations in the tax returns since the tax return includes all TAWC property and not just the Rider property. See TAW_R_CPADDR1_NUM003__042718_Attachment for a simulated calculation of our tax returns using the Rider assets. Note that the 2017 return is not filed yet, but the calculation is the same as what will be filed.

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus & Repairs:

	2014 5 Year	2014 25 Year	2014 39 Year	2014 Total	2015 5 Year	2015 25 Year	2015 39 Year	2015 Total
UPIS ADDITIONS	219,399	6,465,466	138,428		261,975	14,547,173	9,555,958	
CIAC BALANCE	-	-	-		-	-	-	
GRAND TOTAL BALANCE	219,399	6,465,466	138,428		261,975	14,547,173	9,555,958	
REPAIRS		1,482,531				2,576,304	1,692,360	
UPIS TAX BASIS BALANCE	219,399	4,982,935	138,428		261,975	11,970,869	7,863,598	
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	50% 109,699	2,491,467	138,428		130,988	5,985,434	7,863,598	
Tax Rate Year 1	20.00%	2.00%	1.28%		20.00%	2.00%	1.28%	
Tax Rate Year 2	32.00%	4.00%	2.56%		32.00%	4.00%	2.56%	
Tax Rate Year 3	19.20%	4.00%	2.56%		19.20%	4.00%	2.56%	
Tax Rate Year 4	11.52%	4.00%	2.56%		11.52%	4.00%	2.56%	

Book/Tax Adjustment-Depr. Calculation

Repairs	-	(1,482,531)	-		-	(2,576,304)	(1,692,360)	
Bonus Depreciation (rate x additions)	(109,700)	(2,491,468)	-		(130,987)	(5,985,435)	-	
Regular Yr 1 tax depreciation	(21,940)	(49,829)	(1,775)		(26,198)	(119,709)	(100,811)	
Regular Yr 2 tax depreciation					(35,104)	(99,659)	(3,549)	
Regular Yr 3 tax depreciation								
Regular Yr 4 tax depreciation								
Book Depreciation		39,779				294,063		
Net book/tax difference	(131,640)	(3,984,049)	(1,775)	(4,117,464)	(192,289)	(8,487,044)	(1,796,720)	(10,476,054)
Repairs related net b/t diff				(1,482,531)				(4,268,665)

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus & Repairs:

					Prior to October				After to October		
	2016	2016	2016	2016	2017	2017	2017	2017	2017	2017	2017
	5 Year	25 Year	39 Year	Total	3 Year	5 Year	25 Year	39 Year	Total	3 Year	5 Year
UPIS ADDITIONS	180,161	5,603,587	8,289,269		100,405	372,571	11,743,085	(4,368,259)			294,535
CIAC BALANCE	-	(497,284)	-		-	-	(1,718,549)	-		-	-
GRAND TOTAL BALANCE	180,161	5,106,303	8,289,269		100,405	372,571	10,024,536	(4,368,259)		-	294,535
REPAIRS		1,835,205	2,979,163				1,585,882	(691,059)			
UPIS TAX BASIS BALANCE	180,161	3,271,097	5,310,105		100,405	372,571	8,438,654	(3,677,201)		-	294,535
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	50%	90,080	1,635,549	5,310,105	100,405	186,285	4,219,327	(3,677,201)		-	294,535
Tax Rate Year 1	20.00%	2.00%	1.28%		33.33%	20.00%	2.00%	1.28%		33.33%	20.00%
Tax Rate Year 2	32.00%	4.00%	2.56%		33.33%	32.00%	4.00%	2.56%		33.33%	32.00%
Tax Rate Year 3	19.20%	4.00%	2.56%		33.34%	19.20%	4.00%	2.56%		33.34%	19.20%
Tax Rate Year 4	11.52%	4.00%	2.56%			11.52%	4.00%	2.56%			11.52%

Book/Tax Adjustment-Depr. Calculation

Repairs	-	(1,835,205)	(2,979,163)			-	(1,585,882)	691,059			-
Bonus Depreciation (rate x additions)	(90,081)	(1,635,548)	-			(186,286)	(4,219,327)	-			-
Regular Yr 1 tax depreciation	(18,016)	(32,711)	(68,076)		(33,465)	(37,257)	(84,387)	47,142			(58,907)
Regular Yr 2 tax depreciation	(41,916)	(239,417)	(201,623)			(28,826)	(65,422)	(136,151)			
Regular Yr 3 tax depreciation	(21,062)	(99,659)	(3,549)			(25,150)	(239,417)	(201,623)			
Regular Yr 4 tax depreciation						(12,637)	(99,659)	(3,549)			
Book Depreciation		849,206					1,206,475				
Net book/tax difference	(171,075)	(2,993,335)	(3,252,411)	(6,416,820)	(33,465)	(290,156)	(5,087,619)	396,878	(5,014,362)	-	(58,907)
Repairs related net b/t diff				(4,814,368)					(894,823)		

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus & Repairs:

	2017 25 Year	2017 39 Year	2017 Total
UPIS ADDITIONS	5,534,138	1,127,247	
CIAC BALANCE	(90,857)	-	
GRAND TOTAL BALANCE	5,443,281	1,127,247	
REPAIRS	861,127	178,331	
UPIS TAX BASIS BALANCE	4,582,154	948,917	
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	50% 4,582,154	948,917	
Tax Rate Year 1	2.00%	1.28%	
Tax Rate Year 2	4.00%	2.56%	
Tax Rate Year 3	4.00%	2.56%	
Tax Rate Year 4	4.00%	2.56%	

Book/Tax Adjustment-Depr. Calculation

Repairs	(861,127)	(178,331)	
Bonus Depreciation (rate x additions)	-	-	
Regular Yr 1 tax depreciation	(91,643)	(12,165)	
Regular Yr 2 tax depreciation			
Regular Yr 3 tax depreciation			
Regular Yr 4 tax depreciation			
Book Depreciation			
Net book/tax difference	(952,770)	(190,496)	(1,202,173)
Repairs related net b/t diff			(1,039,458)

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus:

	2014 5 Year	2014 25 Year	2014 39 Year	2014 Total	2015 5 Year	2015 25 Year	2015 39 Year	2015 Total
UPIS ADDITIONS	219,399	6,465,466	138,428		261,975	14,547,173	9,555,958	
CIAC BALANCE	-	-	-		-	-	-	
GRAND TOTAL BALANCE	219,399	6,465,466	138,428		261,975	14,547,173	9,555,958	
REPAIRS	-	1,482,531	-		-	2,576,304	1,692,360	
UPIS TAX BASIS BALANCE	219,399	4,982,935	138,428		261,975	11,970,869	7,863,598	
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	100% 219,399	4,982,935	138,428		261,975	11,970,869	7,863,598	
Tax Rate Year 1	20.00%	2.00%	1.28%		20.00%	2.00%	1.28%	
Tax Rate Year 2	32.00%	4.00%	2.56%		32.00%	4.00%	2.56%	
Tax Rate Year 3	19.20%	4.00%	2.56%		19.20%	4.00%	2.56%	
Tax Rate Year 4	11.52%	4.00%	2.56%		11.52%	4.00%	2.56%	

Book/Tax Adjustment-Depr. Calculation

Repairs	-	(1,482,531)	-		-	(2,576,304)	(1,692,360)	
Bonus Depreciation (rate x additions)	0	0	-		(0)	0	-	
Regular Yr 1 tax depreciation	(43,880)	(99,659)	(1,775)		(52,395)	(239,417)	(100,811)	
Regular Yr 2 tax depreciation					(70,208)	(199,317)	(3,549)	
Regular Yr 3 tax depreciation								
Regular Yr 4 tax depreciation								
Book Depreciation		39,779				294,063		
Net book/tax difference	(43,880)	(1,542,411)	(1,775)	(1,588,066)	(122,603)	(2,720,975)	(1,796,720)	(4,640,299)

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus:

					Prior to October				After to October		
	2016 5 Year	2016 25 Year	2016 39 Year	2016 Total	2017 3 Year	2017 5 Year	2017 25 Year	2017 39 Year	2017 Total	2017 3 Year	2017 5 Year
UPIS ADDITIONS	180,161	5,603,587	8,289,269		100,405	372,571	11,743,085	(4,368,259)		-	294,535
CIAC BALANCE	-	(497,284)	-		-	-	(1,718,549)	-		-	-
GRAND TOTAL BALANCE	180,161	5,106,303	8,289,269		100,405	372,571	10,024,536	(4,368,259)		-	294,535
REPAIRS	-	1,835,205	2,979,163		-	-	1,585,882	(691,059)		-	-
UPIS TAX BASIS BALANCE	180,161	3,271,097	5,310,105		100,405	372,571	8,438,654	(3,677,201)		-	294,535
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	100% 180,161	3,271,097	5,310,105		100,405	372,571	8,438,654	(3,677,201)		-	294,535
Tax Rate Year 1	20.00%	2.00%	1.28%		33.33%	20.00%	2.00%	1.28%		33.33%	20.00%
Tax Rate Year 2	32.00%	4.00%	2.56%		33.33%	32.00%	4.00%	2.56%		33.33%	32.00%
Tax Rate Year 3	19.20%	4.00%	2.56%		33.34%	19.20%	4.00%	2.56%		33.34%	19.20%
Tax Rate Year 4	11.52%	4.00%	2.56%			11.52%	4.00%	2.56%			11.52%

Book/Tax Adjustment-Depr. Calculation

Repairs	-	(1,835,205)	(2,979,163)			-	(1,585,882)	691,059			-
Bonus Depreciation (rate x additions)	0	(0)	-			0	(0)	-			-
Regular Yr 1 tax depreciation	(36,032)	(65,422)	(68,076)		(33,465)	(74,514)	(168,773)	47,142			(58,907)
Regular Yr 2 tax depreciation	(83,832)	(478,835)	(201,623)			(57,652)	(130,844)	(136,151)			
Regular Yr 3 tax depreciation	(42,125)	(199,317)	(3,549)			(50,299)	(478,835)	(201,623)			
Regular Yr 4 tax depreciation						(25,275)	(199,317)	(3,549)			
Book Depreciation		849,206					1,206,475				
Net book/tax difference	(161,989)	(1,729,574)	(3,252,411)	(5,143,973)	(33,465)	(207,740)	(1,357,176)	396,878	(1,201,503)	-	(58,907)

Tennessee American Water Company
Capital Riders' Filing
Calculation of Book/Tax Depreciation Differences
For the Years Ended 2014-2017

CALCULATION OF TAX DEPR with Bonus:

	2017 25 Year	2017 39 Year	2017 Total
UPIS ADDITIONS	5,534,138	1,127,247	
CIAC BALANCE	(90,857)	-	
GRAND TOTAL BALANCE	5,443,281	1,127,247	
REPAIRS	861,127	178,331	
UPIS TAX BASIS BALANCE	4,582,154	948,917	
UPIS TAX BASIS BALANCE AFTER BONUS DEPR	100% 4,582,154	948,917	
Tax Rate Year 1	2.00%	1.28%	
Tax Rate Year 2	4.00%	2.56%	
Tax Rate Year 3	4.00%	2.56%	
Tax Rate Year 4	4.00%	2.56%	

Book/Tax Adjustment-Depr. Calculation

Repairs	(861,127)	(178,331)	
Bonus Depreciation (rate x additions)	-	-	
Regular Yr 1 tax depreciation	(91,643)	(12,165)	
Regular Yr 2 tax depreciation			
Regular Yr 3 tax depreciation			
Regular Yr 4 tax depreciation			
Book Depreciation			
Net book/tax difference	(952,770)	(190,496)	(1,202,173)

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Brent E. O'Neill**

Question:

4. Refer to the TAW_2017_Capital_Rider Recon Excel file, "WKP 2017 In-Service Actual" tab. The cell AM130, associated with Account 304300 Structures and Improvements – Treatment, providing the Cumulated Balance of In-Serviced Plant for 2017 by period, reflects a decrease of nearly \$200,000 compared with the prior month. Provide a complete explanation indicating why this balance decreased this particular month and provide all related accounting entries made which correspond to this account activity.

Response:

When a project is initiated, a work order or group of work orders is set up in Powerplant, the utility asset software system utilized by American Water. As part of the initial set-up, estimated costs for each NARUC utility plant accounts are made. When the project is placed in-service, the construction costs, collected through that point in-time, are apportioned to those NARUC utility plant accounts by the initial set-up estimates unless updated. The costs are transferred to account 106 – Completed Construction Not Classified. This allows AFUDC to stop, depreciation to begin, and the project will still accept expenditure charges to allow for final construction costs to be charged to the project. In the final phase of the project, as-builts are updated in Powerplant. These final as-builts assign the actual dollar amount to each NARUC utility plant account based on the actual amount of expenditures that is appropriate. After the as-builts are approved, the project can be formally completed and closed out. At this time construction costs will transferred from account 106 to 101 – Utility Plant in Service.

In July 2017, project I26-020028 (Citico Plant Improvements Phase 1B) was transferred from account 106 – Completed Construction Not Classified to account 101 – Utility Plant in Service. The transfer amounts from account 106 to account 101 are based on the updated and approved as-built information for the related work order that has been completed. Again, the approved as-builts provides the final classification and unitization of the plant property into the company's continuing property ledger by plant account 301 through 348. The final classification reflects the actual related costs of the improvements related to the plant accounts for that specific project. In this particular case the transfer amounts from account 106 to account 101 reflect the in-service and constructed costs associated with Account 304300 Structures and Improvements – Treatment, Account 320100 – Water Treatment Equipment Non-Media and Account 346190 – Remote Control and Instruments. Any reclassifications between plant accounts will happen with the transfer between accounts 106 and 101.

Please refer the attachment for a copy of the entry in the company's ledger system.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

5. Refer to Linda C. Bridwell Direct Testimony at page 19, line 10. Describe in detail with specificity the process used to define retirements contained within the filing. Provide a listing and rationale for all assumptions used within this process.

Response:

Per the testimony referenced above, “associated retirements” are defined as the original cost of utility plant in service either replaced or removed from service on the books and records of TAWC that have been assigned to eligible work orders included in these filings. The amount of the original cost retired by eligible work orders, for the calendar year 2017, can be found on tab “WKP 2017 Actuals” in the excel file “TAW_2017_Capital_Rider_Recon.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Brent E. O'Neill**

Question:

6. Refer to Linda C. Bridwell Direct Testimony, Petitioner's Exhibit Work - Order Detail Summary – LCB. Has TAWC received any reimbursements in 2018 associated with 2017 capital rider investments that are not reflected as cost offsets within the reconciliation filing? If so, provide the following:
- a. Provide the amount of the reimbursement;
 - b. Identify how the reimbursement was accounted for on the books of TAWC; and
 - c. Provide the rationale for excluding such reimbursement from the reconciliation filing.

Response:

Currently, no reimbursements received in 2018 were associated with 2017 capital rider investments that have been placed in-service.

There is one reimbursement received in 2017 that was not placed in-service with the 2017 capital rider investment. \$1,500 of a contribution was received for R26-02F1.17-P-0005 Relocate FH 743 Tiger Lily Trail. The reimbursement remained in work-in-progress at end year while the construction costs were placed in-service to utility plant per the Exhibit Work – Order Detail Summary. The work to install the fire hydrant on Tiger Lily Trail was completed during December 2017 and placed in-service however the reimbursement remained in work-in-progress due to the process that the Company undertakes to reconcile the true cost of the installation of the hydrant compared to the deposit reimbursement provided that is collected based on the estimate prior to construction. Since the work was completed in December the review of actual cost carried over into 2018 and resulted in the delay in moving the reimbursement from work-in-progress.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Brent E. O'Neill**

Question:

7. Refer to Linda C. Bridwell Direct Testimony, Petitioner's Exhibit Work - Order Detail Summary – LCB. Has TAWC received reimbursement in 2016 or 2017 associated with 2015 and 2016 capital rider expenditures, respectively? If so, provide a complete explanation of how and when such reimbursements were accounted for within the rider calculations.

Response:

Yes, a reimbursement for the US27 BTN Riverfront Relocation Main project was included in 2016 for the project that was placed in-service in December 2015.

The reimbursement was associated with the work conducted for project R12-02D1.11-P-0001 (US27 BTN Riverfront Relocation Main project) that was placed in service in December 2015. The reimbursement was accounted for in a different work R12-02D1.15-0003-CN that was not placed in-service until February 2016. TAWC currently separates construction costs and reimbursements on two separate work orders. Both work orders are typically placed in-service at relatively the same time or at the time that TAWC receives the final reimbursement. In this case, the Project Manager placed the construction project R12-02D1.11-P-0001 in-service at the time construction was complete and the improvements were providing service to the system. Due to the project finishing construction during December 2015, the reimbursement for the work from the Tennessee Department of Transportation lagged the construction project and resulted in the reimbursement work order being placed in-service in February 2016.

TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION

Responsible Witness: **Linda C. Bridwell**

Question:

8. Refer to the TAW_2017_Capital_Rider_Recon Excel file, “WKP 2017 Tax Depreciation” tab. With respect to the negative values found under the Y1 Tax Depreciation column, provide a complete explanation supporting how such value may be negative. For illustration purposes, please focus on the negative value of \$(103,092) found in cell BI136.

Response:

Negative values in the tax depreciation calculation column can arise from the vintage year additions being negative. Per response to Item 4 of this same request for information in this docket, reclassifications may occur between utility accounts for a particular project that may result in negative vintage amounts. Negative values in vintage year additions could also occur in the timing of expenditures through accrual based accounting.

The negative tax depreciation amounts calculated are simply reversing the prior year amounts over the same tax life. In the case of negative value referenced above, these amounts are also offset by positive values in the other utility accounts for that particular project.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 1800022
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

9. Provide a complete explanation detailing how Cost of Removal Less Salvage costs reflected (or not) within the calculation of taxable income as a component of the TAWC affiliate tax return.

Response:

Cost of removal less salvage is booked to the Company's GL system as a regulated liability or a regulated asset. Within that liability/asset account are the cost of removal accruals set up when the asset goes into service offset with actual charges incurred. By taking the change in the balance of the accounts, tax captures the appropriate book/tax difference and only takes actual charges incurred as a deduction to arrive at taxable income.

For salvage amounts posted to accumulated depreciation, the salvage is included in the tax gain/loss.

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 Public Utility Commission, and if present before the Commission 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 27 day of April, 2018.


Notary Public

My Commission Expires: 7/25/2020

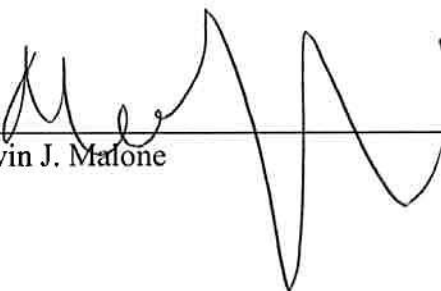
CERTIFICATE OF SERVICE

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.
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This the 27th day of April, 2018.



Melvin J. Malone