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March 20, 2020

VIA ELECTRONIC FILING

TPUC.DocketRoom@tn.gov

Hon. Robin L. Morrison, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: *Tennessee-American Water Company's Response to Commission's Investigation of Impacts of Federal Tax Reform on the Public Utility Revenue Requirements*, TPUC Docket No. 18-00039

Dear Chairman Morrison:

Attached for filing please find *Tennessee-American Water Company's Responses to TPUC Staff First Data Requests*, which were issued on March 10, 2020, 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: Elaine Chambers, Tennessee-American Water Company
Daniel Whitaker, Assistant Attorney General , Consumer Advocate Unit
Karen H. Stachowski, Assistant Attorney General, Consumer Advocate Unit

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**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00039
FIRST STAFF DATA REQUEST OF THE
TENNESSEE PUBLIC UTILITY COMMISSION**

Responsible Witness: John Wilde

Question:

1. Please provide the dollar amount of repairs deduction-related Excess Accumulated Deferred Income Tax (EADIT) that is subject to clarification by the Internal Revenue Service (IRS) as to whether such EADIT is subject to tax normalization rules.

Response:

The repairs deduction-related EADIT amount that is subject to clarification by the Internal Revenue Service (IRS) as to whether such EADIT is subject to tax normalization rules is \$4,757,620. Please see TAW_R_PUCDR1_002_032020_Attachment, where this amount is shown and labeled "unprotected."

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00039
FIRST STAFF DATA REQUEST OF THE
TENNESSEE PUBLIC UTILITY COMMISSION**

Responsible Witness: John Wilde

Question:

2. Assuming the repairs deduction-related EADIT provided in response to request no. 1 above is not subject to IRS tax normalization rules and is classified as Unprotected EADIT, please update Exhibit JRW-2S attached to the Supplemental Direct Testimony of John R. Wilde to show the Protected EADIT and Unprotected EADIT using 20-year ARAM to amortize both Protected and Unprotected EADIT. Under this assumption, please compute the appropriate credit to the 2020 Capital Riders pending in Docket No. 19-00105.

Response:

Please see TAW_R_PUCDR1_002_032020_Attachment.

Exhibit JRW-2S has been updated for some minor changes that occurred during the implementation of the Company's software but done after the Supplemental Direct Testimony was filed. While the total net excess did not change, some of the pieces did have minor updates.

ARAM does not have a definite life. The amortization runs over the remaining life of the underlying book assets. The attachment referred to above shows ARAM or Proportional to ARAM for all items for years 2018, 2019 & 2020, except the Other Non-Plant item which is amortized straight-line over 20 years.

Tennessee American Water
Excess ADIT
Years 2018, 2019 & 2020

		Non Plant / Non Power Tax Amortization Period		Per Company		
		Total Net Excess	Protected / Unprotected	2018 Excess	2019 Excess	2020 Excess
Net Excess Amortization from Powertax (Rpt 259)						
Method / Life	ARAM	13,196,175	Protected	363,518	372,267	400,935
Cost of Removal	ARAM	552,564	Uncertain	0	0	0
Repairs	ARAM	4,757,620	Unprotected	123,584	141,299	110,508
Taxable CIAC	ARAM	(403,370)	Protected	(22,436)	(22,436)	(22,437)
All Other	ARAM	268,862	Unprotected	64,034	85,657	46,173
Powertax		18,371,852		528,700	576,786	535,179
Federal NOL	Proportional to ARAM	(801,599)	Uncertain	23,969	28,685	25,412
Plant Customer Advances	Proportional to ARAM	(460,203)	Unprotected	(13,244)	(14,876)	(14,264)
Plant CWIP	Proportional to ARAM	11,763	Unprotected	339	380	365
CIAC WIP	Proportional to ARAM	(5,619)	Unprotected	(162)	(182)	(174)
Plant 481	Proportional to ARAM	110,156	Unprotected	3,170	3,561	3,414
Total Subject to ARAM		17,226,349		542,771	594,354	549,932
All Other Non Plant	Amortization	(383,178)	Unprotected	20	(19,159)	(19,159)
Total Federal and State Excesses		16,843,171		523,613	575,196	530,773

Calculation of EADIT Credit

		Per Company
Catch up amortization	1-1-18 to 12-31-19	1,098,808
Gross Up		1,487,590
Rate Year Amortization	1-1-20 to 12-31-20	530,773
Gross Up		718,572
Total 2020 Credit		2,206,162
Authorized Revenues		47,073,724
EADIT percentage to apply to bill		4.69%
Docket # 19-00105		
Tarriff percentage authorized		24.21%
EADIT percentage adjustment		-4.69%
Tariff percentage with 2020 EADIT		19.52%

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00039
FIRST STAFF DATA REQUEST OF THE
TENNESSEE PUBLIC UTILITY COMMISSION**

Responsible Witness: John Wilde

Question:

3. Assuming the repairs deduction-related EADIT provided in response to request no. 1 above is not subject to IRS tax normalization rules and is classified as Unprotected EADIT, please update Exhibit JRW-2S attached to the Supplemental Direct Testimony of John R. Wilde to show the Protected EADIT and Unprotected EADIT using 20-year ARAM to amortize Protected EADIT and a three-year period to amortize Unprotected EADIT. Under this assumption, please compute the appropriate credit to the 2020 Capital Riders pending in Docket No. 19-00105.

Response:

Please see TAW_R_PUCDR1_003_032020_Attachment.

Exhibit JRW-2S has been updated for some minor changes that occurred during the implementation of the Company's software but done after the Supplemental Direct Testimony was filed. While the total net excess did not change, some of the pieces did have minor updates.

ARAM does not have a definite life. The amortization runs over the remaining life of the underlying book assets. The attachment referred to above shows ARAM or Proportional to ARAM for items labeled as Protected and Uncertain for years 2018, 2019 & 2020, and shows 3 year straight line amortization for the items labeled as Unprotected.

Tennessee American Water
Excess ADIT
Years 2018, 2019 & 2020

				Non Plant / Non Power Tax Amortization Period	Per Company			PUC1_003			
		Total Net Excess	Protected / Unprotected		2018 Excess	2019 Excess	2020 Excess		2018 Excess	2019 Excess	2020 Excess
Net Excess Amortization from Powertax (Rpt 259)											
Method / Life	ARAM	13,196,175	Protected		363,518	372,267	400,935	ARAM	363,518	372,267	400,935
Cost of Removal	ARAM	552,564	Uncertain		0	0	0	ARAM	0	0	0
Repairs	ARAM	4,757,620	Unprotected		123,584	141,299	110,508	3 yr	1,585,873	1,585,873	1,585,873
Taxable CIAC	ARAM	(403,370)	Protected		(22,436)	(22,436)	(22,437)	ARAM	(22,436)	(22,436)	(22,437)
All Other	ARAM	268,862	Unprotected		64,034	85,657	46,173	3 yr	89,621	89,621	89,621
Powertax		18,371,852			528,700	576,786	535,179		2,016,576	2,025,325	2,053,992
Federal NOL	Proportional to ARAM	(801,599)	Uncertain		23,969	28,685	25,412	ARAM	23,969	28,685	25,412
Plant Customer Advances	Proportional to ARAM	(460,203)	Unprotected		(13,244)	(14,876)	(14,264)	3 yr	(153,401)	(153,401)	(153,401)
Plant CWIP	Proportional to ARAM	11,763	Unprotected		339	380	365	3 yr	3,921	3,921	3,921
CIAC WIP	Proportional to ARAM	(5,619)	Unprotected		(162)	(182)	(174)	3 yr	(1,873)	(1,873)	(1,873)
Plant 481	Proportional to ARAM	110,156	Unprotected		3,170	3,561	3,414	3 yr	36,719	36,719	36,719
Total Subject to ARAM		17,226,349			542,771	594,354	549,932		1,925,910	1,939,375	1,964,770
All Other Non Plant	Amortization	(383,178)	Unprotected	20	(19,159)	(19,159)	(19,159)	3 yr	(127,726)	(127,726)	(127,726)
Total Federal and State Excesses		16,843,171			523,613	575,196	530,773		1,798,184	1,811,649	1,837,044

Calculation of EADIT Credit

		Per Company	PUC1_003
Catch up amortization	1-1-18 to 12-31-19	1,098,808	3,609,833
Gross Up		1,487,590	4,887,068
Rate Year Amortization	1-1-20 to 12-31-20	530,773	1,837,044
Gross Up		718,572	2,487,029
Total 2020 Credit		2,206,162	7,374,098
Authorized Revenues		47,073,724	47,073,724
EADIT percentage to apply to bill		4.69%	15.66%
Docket # 19-00105			
Tariff percentage authorized		24.21%	24.21%
EADIT percentage adjustment		-4.69%	-15.66%
Tariff percentage with 2020 EADIT		19.52%	8.55%

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00039
FIRST STAFF DATA REQUEST OF THE
TENNESSEE PUBLIC UTILITY COMMISSION**

Responsible Witness: John Wilde

Question:

4. Assuming the repairs deduction-related EADIT provided in response to request no. 1 above is not subject to IRS tax normalization rules and is classified as Unprotected EADIT, please update Exhibit JRW-2S attached to the Supplemental Direct Testimony of John R. Wilde to show the Protected EADIT and Unprotected EADIT using 20-year ARAM to amortize Protected EADIT and a five-year period to amortize Unprotected EADIT. Under this assumption, please compute the appropriate credit to the 2020 Capital Riders pending in Docket No. 19-00105.

Response:

Please see TAW_R_PUCDR1_004_032020_Attachment.

Exhibit JRW-2S has been updated for some minor changes that occurred during the implementation of the Company's software but done after the Supplemental Direct Testimony was filed. While the total net excess did not change, some of the pieces did have minor updates.

ARAM does not have a definite life. The amortization runs over the remaining life of the underlying book assets. The attachment referred to above shows ARAM or Proportional to ARAM for items labeled as Protected and Uncertain for years 2018, 2019 & 2020, and shows 5 year straight line amortization for the items labeled as Unprotected.

Tennessee American Water
Excess ADIT
Years 2018, 2019 & 2020

				Non Plant / Non Power Tax Amortization Period	Per Company			PUC1_004			
		Total Net Excess	Protected / Unprotected		2018 Excess	2019 Excess	2020 Excess		2018 Excess	2019 Excess	2020 Excess
Net Excess Amortization from Powertax (Rpt 259)											
Method / Life	ARAM	13,196,175	Protected		363,518	372,267	400,935	ARAM	363,518	372,267	400,935
Cost of Removal	ARAM	552,564	Uncertain		0	0	0	ARAM	0	0	0
Repairs	ARAM	4,757,620	Unprotected		123,584	141,299	110,508	5 yr	951,524	951,524	951,524
Taxable CIAC	ARAM	(403,370)	Protected		(22,436)	(22,436)	(22,437)	ARAM	(22,436)	(22,436)	(22,437)
All Other	ARAM	268,862	Unprotected		64,034	85,657	46,173	5 yr	53,772	53,772	53,772
Powertax		18,371,852			528,700	576,786	535,179		1,346,378	1,355,127	1,383,795
Federal NOL	Proportional to ARAM	(801,599)	Uncertain		23,969	28,685	25,412	ARAM	23,969	28,685	25,412
Plant Customer Advances	Proportional to ARAM	(460,203)	Unprotected		(13,244)	(14,876)	(14,264)	5 yr	(92,041)	(92,041)	(92,041)
Plant CWIP	Proportional to ARAM	11,763	Unprotected		339	380	365	5 yr	2,353	2,353	2,353
CIAC WIP	Proportional to ARAM	(5,619)	Unprotected		(162)	(182)	(174)	5 yr	(1,124)	(1,124)	(1,124)
Plant 481	Proportional to ARAM	110,156	Unprotected		3,170	3,561	3,414	5 yr	22,031	22,031	22,031
Total Subject to ARAM		17,226,349			542,771	594,354	549,932		1,301,566	1,315,031	1,340,427
All Other Non Plant	Amortization	(383,178)	Unprotected	20	(19,159)	(19,159)	(19,159)	5 yr	(76,636)	(76,636)	(76,636)
Total Federal and State Excesses		16,843,171			523,613	575,196	530,773		1,224,930	1,238,396	1,263,791

Calculation of EADIT Credit

		Per Company	PUC1_004
Catch up amortization	1-1-18 to 12-31-19	1,098,808	2,463,326
Gross Up		1,487,590	3,334,903
Rate Year Amortization	1-1-20 to 12-31-20	530,773	1,263,791
Gross Up		718,572	1,710,947
Total 2020 Credit		2,206,162	5,045,850
Authorized Revenues		47,073,724	47,073,724
EADIT percentage to apply to bill		4.69%	10.72%
Docket # 19-00105			
Tariff percentage authorized		24.21%	24.21%
EADIT percentage adjustment		-4.69%	-10.72%
Tariff percentage with 2020 EADIT		19.52%	13.49%

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 P. Whitaker III
Karen H. Stachowski
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Unit, Financial Division
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This the 20th day of March, 2020.



Melvin J. Malone