

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:

TENNESSEE AMERICAN WATER)	
COMPANY'S RESPONSE TO)	
COMMISSION'S INVESTIGATION OF)	DOCKET NO. 18-00039
IMPACTS OF FEDERAL TAX)	
REFORM ON THE PUBLIC UTILITY)	
REVENUE REQUIREMENTS)	

**CONSUMER ADVOCATE'S SECOND DISCOVERY
REQUEST TO TENNESSEE AMERICAN WATER COMPANY**

To: Tennessee American Water Company
C/O Melvin J. Malone
Butler, Snow, O'Mara, Stevens & Cannada, PLLC
The Pinnacle at Symphony Place
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Nashville, TN 37201
melvin.malone@butlersnow.com

This Second Discovery Request is hereby served upon Tennessee American Water Company (Company), pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Daniel P. Whitaker, III, on or before 2:00 p.m. (CDT), Tuesday, April 2, 2019.

This Second Discovery Request is limited to the issue of the regulatory treatment of income tax expense savings resulting from the Tax Cuts and Jobs Act of 2017 and do not address the appropriate regulatory treatment associated with excess deferred income taxes. That issue will be

addressed in the second phase of this bifurcated Docket, as agreed to by the Parties and confirmed by the Commission's Hearing Officer.

PRELIMINARY MATTERS AND DEFINITIONS

These additional discovery requests incorporate the same Preliminary Matters and Definitions set forth in the *Consumer Advocate's First (Informal) Discovery Request to Tennessee-American Water Company* filed February 20, 2019, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by TAWC and any TAWC affiliate which would make a prior response inaccurate, incomplete, or incorrect. Further, to the extent that some responses may contain confidential information, clearly and conspicuously mark those responses that TAWC asserts are confidential and separate these responses from the public filing.

SECOND DISCOVERY REQUESTS

2-1. Provide a comprehensive explanation of the accounting method TAWC proposes to use with respect to ongoing Income Tax Expense savings resulting from the TCJA. For example, does TAWC intend to continue to record the monthly portion of the approximately \$2 million in annual Income Tax Expense savings to a regulatory liability account?

RESPONSE:

2-2. Provide a comprehensive explanation of the accounting method TAWC proposes to use with respect to the flow-back of Income Tax Expense savings to ratepayers.

RESPONSE:

2-3. Based on the forecasted capital expenditures that qualify for recovery under the Capital Riders, estimate the portion of the annual Income Tax Expense savings that would accrue to the benefit of the Company's ratepayers by year for the period 2020 - 2022. Provide supporting workpapers for this estimate. For the approximately \$2 million in annual Income Tax Expense

savings, identify the portion of this annual amount TAWC anticipates would be used to offset the costs of the Capital Riders surcharges.

RESPONSE:

2-4. Provide a comprehensive explanation of the Company's position regarding the appropriate regulatory treatment of the balance of accrued Income Tax Expense savings.

RESPONSE:

2-5. Provide a comprehensive explanation of the accounting entry(ies) used to record the regulatory liability associated with the Commissions' Order in Docket No. 18-00001.

RESPONSE:

2-6. Confirm that the Net Income reported by TAWC for 2018 did not increase as a result of the reduced federal income tax rate adopted by the TCJA due to the regulatory liability required by TPUC's Order in Docket No. 18-00001.

RESPONSE:

2-7. Provide an excel version, with underlying source and support intact, of the attachment to Tennessee-American Response No. 1-6.

RESPONSE:

2-8. The response to Consumer Advocate Request No. 1-16 identifies two tax amortizations: i) \$540,112 and ii) \$76,368. For each amount, provide a comprehensive explanation of the nature of the tax amortization and why such amounts should be subtracted from the base amount of Income Tax Expense in calculating the amount of Income Tax Expense savings resulting from the TCJA.

RESPONSE:

2-9. Refer to the Tennessee-American's Response to Consumer Advocate Request No. 1-19, which identifies estimated taxable income for the period 2018 – 2022. Confirm that positive

taxable income would reduce the balance Tennessee-American's NOLC. If this is not confirmed, provide a comprehensive explanation discussing why positive taxable income would not result in a reduction in the NOL asset.

RESPONSE:

2-10. Identify each person who you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- (a) Identify the field in which the witness is to be offered as an expert;
- (b) Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
- (c) Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- (d) Provide the grounds for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (e) Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (f) Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- (h) Produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

2-11. Identify all persons having knowledge of discoverable matters in this case.

RESPONSE:

2-12. Produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

2-13. Produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

RESPONSE:

2-14. Produce copies of all documents -- including, without limitation, work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information -- relied upon by any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

2-15. Identify all information, documents and things filed in the present docket record, including all responses to discovery of the parties and data request from the TPUC Staff, which TAWC produced in this docket and does not agree to stipulate to the authenticity of such information, documents and things in this proceeding. For each separate piece of information, documents and things which TAWC produced in this docket and TAWC contends is not TPUC admissible as evidence describe in specific detail any objection(s) TAWC claims as to admissibility into the evidentiary record in this docket.

RESPONSE:

RESPECTFULLY SUBMITTED,

Karen H Stachowski

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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:

Melvin J. Malone
Butler Snow LLP
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Nashville, TN 37201
melvin.malone@butlersnow.com

This the 21st day of March, 2019.



DANIEL P. WHITAKER III
Assistant Attorney General
KAREN H. STACHOWSKI
Assistant Attorney General