

IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

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

CONSUMER ADVOCATE'S SECOND DISCOVERY REQUEST
TO TENNESSEE-AMERICAN WATER COMPANY CONCERNING
PHASE II OF THIS DOCKET

To: Tennessee American Water Company
c/o Melvin J. Malone, Esq.
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This Second Discovery Request for Phase II is hereby served upon Tennessee-American Water Company ("TAWC" or "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, 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, Consumer Advocate Unit, War Memorial Building, 301 6th Avenue North, Nashville, Tennessee 37243, c/o Daniel P. Whitaker, III, on or before 4:00 p.m. (CDT), Wednesday, November 6, 2019.

This Second Discovery Request for Phase II will address the remaining issues related to TAWC in the wake of the 2017 Tax Cuts and Jobs Act. While these are the second discovery requests issued pertaining to Phase II issues, the numbering for this request will begin at No. 4-1 for ease of reference.

PRELIMINARY MATTERS AND DEFINITIONS

These additional discovery requests incorporate the same Preliminary Matters and Definitions set forth in the *Consumer Advocate's First (Phase II) Discovery Request to Tennessee-American Water Company* filed September 25, 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.

FIRST (PHASE II) DISCOVERY REQUESTS

- 4-1. Regarding the Company's response to Request No. 3-13, describe the status of the regulatory proceedings in Missouri as it relates to the classification of the Repair Deduction between protected and unprotected Accumulated Deferred Income Taxes ("ADIT"). Provide the docket number in which the Missouri Public Service Commission has addressed (or will address) this issue.

RESPONSE:

- 4-2. The excel worksheet in the Company's response to Request No. 3-5 contains no cell references for those amounts highlighted in green. Provide this excel file with cell references and calculations intact.

RESPONSE:

4-3. Refer to Mr. Wilde's testimony. On page 12, regarding the proposal to flow back amortizations of the excess ADIT through the Capital Riders, please specify whether 2018, 2019, and 2020 amortizations should be summed and used as a total credit in the Company's next Capital Riders filing. If not, please discuss in detail how the Company proposes to match the amortization credits with the implementation dates of the TAWC Capital Riders surcharges.

RESPONSE:

4-4. Regarding the 2018 Rpt259 tab within the attachment to TAWC Discovery Response No. 3-5, provide a comprehensive discussion discussing the nature of the calculations within the section titled Jurisdiction: Fed-Off-TN (beginning on row 56), including why such calculations are used to offset the balances of excess ADIT as reflected within the Summary tab.

RESPONSE:

4-5. Refer to tab 2018 Vintage 2008-2017 and describe in detail the difference between the line items labeled "Fed-Repair 481a", "1026 Fed- Repair M/L", and "1026 Fed – Tax Repairs".

RESPONSE:

4-6. Refer to the excel spreadsheet provided in TAWC Discovery Response No. 3-5, and specifically to the 2019 Rpt 259 and 2018 Vintage 2008-2017 tabs. Please describe the differences and reconcile the amounts between the ending difference identified as Depreciation Differences (Ending APB11 DFIT Balance) within the 2019 Rpt 259 tab

(\$35,242,780) and the Depreciation Difference as referenced in the 2018 Vintage 2008-2017 tab (Ending Difference) identified as \$34,462,182.

RESPONSE:

- 4-7. Provide the Company's justification, including all related supporting documents or other information, for reducing excess ADIT Liability by the portion of the excess Net Operating Loss Asset.

RESPONSE:

- 4-8. Refer to the excel spreadsheet provided in TAWC Discovery Response No. 3-5, and specifically to the Summary Workpaper tab. Provide supporting workpapers along with a comprehensive explanation supporting the balances contained on lines 18-22 of the spreadsheet. The amounts in these cells are either hard-coded numbers or contain links to other cells which contain hard-coded data.

RESPONSE:

- 4-9. Refer to the excel spreadsheet provided in the Company's response to Request No. 3-5, and specifically to the tab identified as "2018 Vintage 2008-2017":
- (a) Confirm that cell C27 within the row labeled "Current Difference" reflects 2018 impacts on the deferred tax liability balance; and
 - (b) Provide a thorough explanation supporting the justification for the calculation found within cell E22 within the "Intermediate Workpaper" tab.

RESPONSE:

- 4-10. The Company's 3.06 Report identifies a Deferred Tax balance, as of December 31, 2017, of \$23,704,995 (presumably this balance is net of a deferred tax asset balance). Please see the worksheet below:

- (a) Reconcile the ADIT Liability balance per the Company's 12/31/17 3.06 Report as stated in its Form 3.06 report submitted to TPUC with the corresponding cells found within the attachment provided in TAWC Discovery Response No. 3-5. Provide the appropriate narrative to support the reconciliation; and
- (b) To the extent the reconciling items listed below are inaccurate, provide the corrected data and identify the source of such data in both reports submitted to TPUC, as well as information contained in TAWC Discovery Response No. 3-5.

ADIT Reconciliation Worksheet	Per 2018 Report 259 Tab	Amounts	
	Cell Reference		
Balance at 12/17, Per 3.06 Report		\$ 23,704,995	
ADIT Balance at Statutory Rate - Fed	H17		29,162,679
ADIT at Statutory Rate - TN	H55		7,309,143
Less: Regulatory Asset	I80		(1,023,281)
Calculated Restated ADIT		35,448,542	
Difference		(11,743,547)	

RESPONSE:

RESPECTFULLY SUBMITTED,



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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:

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This the 23rd day of October, 2019.



DANIEL P. WHITAKER III
Assistant Attorney General