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November 20, 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: *Joint Petition of Tennessee-American Water Company, and Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc. for Approval of a Purchase Agreement and for the Issuance of a Certificate of Convenience and Necessity*
TPUC Docket No. 18-00099

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Responses to Second Discovery Requests of the Consumer Protection and Advocate Division* in the above-captioned matter. Tennessee-American will supplement the attached with its Response to Request No. 10 at a later time.

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
Daniel Whitaker, Consumer Protection and Advocate Division
William H. Horton, Counsel for Thunder Air, Inc.

*The Pinnacle at Symphony Place
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BUTLER SNOW LLP

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**JOINT PETITION OF TENNESSEE-
AMERICAN WATER COMPANY AND
THUNDER AIR, INC. D/B/A JASPER
HIGHLANDS DEVELOPMENT, INC.
FOR APPROVAL OF AN ASSET
PURCHASE AGREEMENT AND FOR
THE ISSUANCE OF A CERTIFICATE
OF CONVENIENCE AND NECESSITY**)
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DOCKET NO. 18-00099

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

Tennessee-American Water Company ("TAWC"), by and through counsel, hereby submits its Responses to the Second Discovery Requests propounded by the Consumer Protection and Advocate Division of the Office of the Attorney General ("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 "Commission").

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 discovery requests.

**MTENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **R. Kevin Kruchinski**

Question:

1. Provide a detailed discussion of the meaning of the phrase in Schedule 2.2 "...completed to buyer's satisfaction prior to closing."?

Response:

At the time the Asset Purchase Agreement ("APA") was signed, the Schedules attached to the APA were not completed because TAWC's due diligence into the purchase of the Jasper Highlands system was ongoing. The phrase "...completed to the buyer's satisfaction prior to closing" refers to the fact that the schedule will be completed subject to TAWC's confirmation that all terms and conditions of the APA and related obligations and commitments have been fulfilled. Furthermore, closing on this acquisition is contingent on TPUC's approval of the APA.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **R. Kevin Kruchinski**

Question:

2. Provide a comprehensive explanation for the distinction between Article 2.2, Excluded Assets and Schedule 2.2, Excluded Assets.

Response:

Article 2.2 lists out the assets that will not be sold to TAW. Schedule 2.2 provides a place to identify any additional assets that will not be sold or transferred to TAW. For example, in some instances a selling system chooses not to sell its trucks. TAW is not aware of any assets that will be listed on Schedule 2.2.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
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Responsible Witness: **R. Kevin Kruchinski**

Question:

3. Is the purchase price of \$1.5 Million subject to change based upon finalizing the Excluded Assets within Schedule 2.2?

Response:

Yes; however, TAW is not aware of any Excluded Assets that would be listed in Schedule 2.2.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **R. Kevin Kruchinski**

Question:

4. Referring to Item 20 (a) of the Petition, provide a copy of the financial statements, records and reports provided by Thunder Air to TAWC that
 - a) supports the original cost value of utility plant and
 - b) that were relied upon by TAWC in its due diligence of the Thunder Air system.

To the extent the documentation differs, please distinguish between the two categories.

Response:

Please review the attached document (System Valuation) as provided by Thunder Air to TAWC. The data within System Valuation illustrates the installed value of the water system assets as provided by Thunder Air. The combination of information provided within this document and reviewing the income statements and balance sheets (provided in CPAD 1-2, Collective Exhibit B) we worked towards an initial valuation for the system. Working with the engineering manager, Kurt Stafford, we considered the potential installation costs for similar assets and finally we conducted a site visit to confirm the condition of the assets. Based upon the condition assessment of the assets, the prior year net income, and the potential growth within the development, we arrived at a system valuation.

System Valuation

<u>11/6/2017</u>		<u>Jasper Highlands Water System</u>	
		<u>General Asset Listing</u>	<u>In Place</u>
<u>Quantity</u>	<u>Description</u>		<u>Value</u>
2	Pump houses fully equipped		272,455
1	Well		8,319
1	Underground tanks		14,599
75	Water Meters		24,901
15	Water Hydrants		25,845
85244'	Underground water piping installed		2,719,799
1	Above ground water tank, 262,000 gallon capacity		454,145
1	Generator		16,606
	Engineering and Soft Costs		773,367
	Entrepreneurial Profit (15%)		646,505
	Capitalized Value of Management Income		274,255
		<u>Total</u>	<u>5,230,797</u>

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **R. Kevin Kruchinski**

Question:

5. Regarding paragraph 23 of the Petition, provide an estimate of the incremental cost of the build-out of the system at the point the lots would be fully subscribed.

Response:

Within paragraph 23, TAWC is identified as the exclusive provider of water within the service territory of the system. Neither TAWC nor its ratepayers would be directly responsible for the incremental build-out of the system at the point the lots would be fully subscribed. The current asset purchase agreement is based upon the purchase of phases 1 and 2 which are fully built out at the current time. Should Thunder Air continue to develop the area, TAWC utilizes TPUC approved model(s) for growth within TAWC's service territory as identified within the asset purchase agreement. These models are attached within the original filing as exhibits A and B. The models allow a developer to potentially recover their original installation costs based upon revenues produced and new services installed within the development.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

6. Refer to paragraph 3 of the Petition, compared with page 5 of Ms. Bridwell's testimony, confirm whether TAWC is proposing to limit recovery of all transaction and acquisition costs to \$10,000.

Response:

Yes, TAWC is proposing to limit recovery of any transaction and acquisition costs beyond the asset purchase to \$10,000.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

7. Regarding Ms. Bridwell's testimony concerning maintaining separate records for the two systems for ratemaking and accounting purposes, provide a discussion of whether TAWC intends to allocate common costs of the existing TAWC system to the new system for accounting purposes? If so, provide a comprehensive explanation of how such determinations will be made.

Response:

TAWC is proposing to create a separate cost center for Jasper Highlands. This allows assets to be maintained within that cost center, while distinct revenues and expenses can be recorded within the cost center. This allows tracking for tax purposes, and the development of cost of service information. For budgeting purposes, however, the cost centers all roll up. TAWC is not proposing to allocate common costs to Jasper Highlands, as TAWC does not currently allocate common costs for accounting purposes among different cost centers. Common costs would only be allocated for ratemaking purposes utilizing a cost of service study.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

8. Regarding Ms. Bridwell's testimony on page 7 concerning the Capital Rider and Production Cost rider proposal, would the new customers of the water system be subject to the existing approved surcharge rates? Provide a detailed discussion on how each of the two riders would be assessed to the existing Thunder Air customers.

Response:

Tennessee American would begin applying the Capital Riders and Production cost rider, to all Jasper Highlands customers on the first day of service. The Capital Riders and the Production Cost rider would be applied at the authorized rates. In order to maintain Jasper Highlands current rates, TAWC is proposing to reduce Jasper Highlands base rates from the current rates in the amount of the currently authorized Capital Riders and Production cost riders. The tariff filed on September 7, 2018 will be revised to reflect that reduction.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 18-00099
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: **Linda C. Bridwell**

Question:

9. If Thunder Air customers will be assessed the existing Capital Rider and Production Cost rider rates, provide the rationale for maintaining separate base rates while charging a combined rate for the two riders in question.

Response:

Tennessee American currently maintains separate base rates for 5 different geographic areas including Chattanooga, Lookout Mountain, Lakeview, Suck Creek and Whitwell. All five groups have the existing Capital Rider and Product Cost rider rates applied equally. Tennessee American is proposing to treat Jasper Highland equally similar to the other different geographic areas served by Tennessee American.

STATE OF Tennessee)
)
COUNTY OF Hamilton)

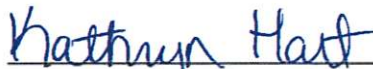
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Kevin K Kruchinski, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and duly sworn, verifies that the data requests and discovery responses are accurate to the best of his knowledge.



Kevin K Kruchinski

Sworn to and subscribed before me
this 20 day of November, 2018.


Notary Public

My Commission Expires: 9-27-2020



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 duly sworn, verifies that the data requests and discovery responses are accurate to the best of her knowledge.

Linda C. Bridwell
Linda C. Bridwell

Sworn to and subscribed before me
this 19th day of November, 2018.

Sharon Miller
Notary Public

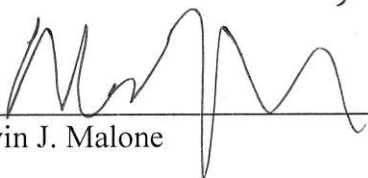
My Commission Expires: 7/25/2020

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
Cynthia Kinser
Consumer Protection and Advocate Division
Office of the Tennessee Attorney General
P.O. Box 20207
Nashville, TN 37202-0207
Daniel.Whitaker@ag.tn.gov
Cynthia.Kinser@ag.tn.gov

This the 20th day of November, 2018.



Melvin J. Malone