

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

IN RE:)	
)	
JOINT PETITION OF)	
TENNESSEE-AMERICAN WATER)	
COMPANY, AND THUNDER AIR, INC.)	Docket No. 18-00099
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)	

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

To: Tennessee American Water Company
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This Third Discovery Request¹ 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 Protection and Advocate Division of the 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, Consumer Protection and Advocate Division, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Daniel P. Whitaker III, on or before 2:00 p.m. (CDT), Friday, December 14, 2018.

PRELIMINARY MATTERS AND DEFINITIONS

These Additional Discovery Requests incorporate the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate's First Discovery Request to Tennessee American Water* sent to the Company on November 9, 2018, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

THIRD DISCOVERY REQUESTS

- 3-1. Provide a pro forma journal entry for TAWC to record the acquisition of Jasper Highlands that classifies the plant acquired in accordance with the Uniform System of Accounts, along with the depreciation rates that will be applied to each plant account.

RESPONSE:

¹ The Consumer Advocate has designated this as the "Third Discovery Request" to align with the Company's previously submitted discovery responses. The first responses submitted from TAWC, however, were not responses to discovery requests from the Consumer Advocate but were instead responses to a letter outlining potential issues in this Docket for purposes of establishing a procedural schedule. Therefore, these requests in actuality comprise the second round of discovery.

- 3-2. Provide the dates and times of any meetings with the Staff of the Tennessee Public Utility Commission where the prospects for the acquisition of Jasper Highlands was discussed. Identify all attendees.

RESPONSE:

- 3-3. Refer to the billed and metered usage of water sales to Jasper Highlands that was provided in response to Item 25 of the TPUC's first data request. A quick review of this data indicates a lost and unaccounted-for water sales ratio of approximately 44%. This material loss factor is especially concerning for a relatively new system. Explain the reason for this loss factor and how TAWC intends to address and remedy its cause.

RESPONSE:

- 3-4. Provide TAWC's anticipated capital expenditures at Jasper Highlands by year for the next three years by NARUC account. Also segregate these capital expenditures between system upgrades and service to new customers.

RESPONSE:

- 3-5. Provide TAWC's anticipated customer additions at Jasper Highlands by year for the next three years by customer classification (residential, commercial, etc.).

RESPONSE:

- 3-6. Refer to Page 5 of TAWC witness Armstrong's testimony where she states the following:

Shared resources through management and operations of the system creates efficiencies that are passed along to customers through expense saving. Thunder Air Inc. will benefit from TAWC economies of scale.

Is it the intent of TAWC to have its existing customers subsidize the rates of Thunder Air, Inc? If not, provide a comprehensive analysis of how Thunder Air Inc. will benefit from TAWC's economies of scale.

RESPONSE:

3-7. Refer to Page 7 of TAWC witness Krunchinski's testimony where he states the following:

After several discussions and meetings representing arms-length negotiations, we arrived at a purchase price of \$1,500,000. The purchase price is supported by the current water rates and is less than the depreciated book value of the system.

Provide the support for the statement that the "...purchase price is supported by the current water rates."

RESPONSE:

3-8. Provide a side-by-side comparison of the gross and net water plant of both TAWC and Thunder Air, Inc. at December 31, 2017, in the following table.

	TAWC	Thunder Air
Gross Plant in Service		
Accumulated Depreciation		
Net Plant		
End of Period Customers		
Net Plant per Customer		

RESPONSE:

3-9. Refer to Page 6 of TAWC witness Bridwell's testimony where she states the following:

Additionally, Tennessee American is further proposing to begin amortization of the costs of \$10,000 or less immediately upon closing, with only the unamortized balance of the regulatory asset to be addressed in the next rate case.

Over what period is TAWC proposing to amortize these costs? Provide the source and support for this amortization period.

RESPONSE:

- 3-10. Refer to the TAWC's response to Item 8 of the Consumer Advocate's second data request which reads as follows:

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.

Provide a further discussion on the company's response that addresses the following points:

- a. The purpose of applying and simultaneously crediting a surcharge on the bills of Jasper Highland customers;
- b. Applying the Capital Riders surcharge to customers of Jasper Highlands when the Jasper Highlands system is relatively new and should not have the same need for infrastructure replacement that is required by the TAWC system; and
- c. Applying the Production Cost Rider to customers of Jasper Highlands when their source of water supply comes solely from the South Pittsburg water system.

RESPONSE:

- 3-11. Refer to Thunder Air's response to Item 13 of the Consumer Advocate's second data request regarding historic O&M expenses for Jasper Highlands. In addition, refer to TAWC's response to Item 24 of the Tennessee Public Utility Commission's data request regarding historic purchased water expense for Jasper Highlands. Provide a monthly side-by-side comparison of Thunder Air's O&M expenses (including purchased water cost) with a pro forma budget of TAWC's anticipated O&M expenses for Jasper Highlands for each month of 2019 classified by expense category in accordance with the Uniform System of Accounts.

RESPONSE:

- 3-12. Refer to Thunder Air's response to Item 24 of the Consumer Advocate's second data request regarding current rates for Jasper Highlands. Provide a side-by-side comparison of the current rates (customer and usage charges along with miscellaneous fees and charges) for Jasper Highlands and TAWC.

RESPONSE:

- 3-13. Refer to the spreadsheet included as an attachment to Item 16 of the Tennessee Public Utility Commission's first data request regarding budgeted financial statements for 2019, 2020 and 2021. It appears that the formulas included in this spreadsheet refer to other data not included with the response. Provide the source and support for all data referenced in this spreadsheet. Include documentation for all assumptions used in developing this forecast with your response.

RESPONSE:

- 3-14. Refer to the Company's response to Item 17 of the Tennessee Public Utility Commission's first data request regarding incremental upgrades for meters and SCADA once the acquisition is completed. Provide a reconciliation of where these incremental upgrades are included on TAWC's budgeted financial statements for 2019, 2020, and 2021 that are included on Item 16 of the Tennessee Public Utility Commission's first data request.

RESPONSE:

- 3-15. Provide a copy of all workpapers of the parties in support of the acquisition that have not already been placed in the record.

RESPONSE:

3-16. Provide a schedule showing any ongoing incremental costs that TAWC expects to incur after the acquisition closes.

RESPONSE:

3-17. Does TAWC intend to physically interconnect its existing distribution system to the Jasper Highlands system? If so, describe how and when this interconnection would take place and at what cost.

RESPONSE:

RESPECTFULLY SUBMITTED,



DANIEL P. WHITAKER III (BPR No. 035410)

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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 7th day of December, 2018.



DANIEL P. WHITAKER III
Assistant Attorney General