

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

IN RE:)
)
PETITION OF TENNESSEE AMERICAN)
WATER COMPANY REGARDING THE)
2019 INVESTMENT AND RELATED)
EXPENSES UNDER THE QUALIFIED) **Docket No. 18-00120**
INFRASTRUCTURE INVESTMENT)
PROGRAM RIDER, THE ECONOMIC)
DEVELOPMENT INVESTMENT RIDER,)
AND THE SAFETY AND ENVIRONMENTAL)
COMPLIANCE RIDER)

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
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
Melvin.Malone@butlersnow.com

Elaine K. Chambers
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Elaine.K.Chambers@amwater.com

This Second Discovery Request is hereby served upon Tennessee American Water Company (TAWC or the 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 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, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Daniel P. Whitaker III, on or before 2:00 p.m. (CDT), April 8, 2019.

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 March 6, 2019, 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.

SECOND DISCOVERY REQUESTS

- 2-1. Refer to the Company's monthly reports filed with the Commission. Specifically, refer to the monthly reports for the periods ending February and March 2018. These two reports show the same Rate Base values. Confirm which of the two monthly reports is accurate. Provide a corrected report for the month that is not accurate.

RESPONSE:

- 2-2. The attached schedule was prepared based upon the monthly supplemental financial data to PSC-3.06, submitted by TAWC to TPUC. Note the significant increase in Rate Base beginning in January 2018, contrasted with the December 2017 amount. Also note the significant decrease in Rate Base occurring in June 2018, compared with May 2018. Confirm that Rate Base balances in the months of January 2018 through May 2018 are not correct. If this is confirmed, provide the corrected reports for the months of January 2018 – May 2018 along with a comprehensive explanation related to why balances were not accurate. If this is not confirmed, provide a comprehensive explanation supporting the

fluctuating Rate Base balances, specifically focusing on the January and June changes to the balance of Accumulated Deferred Income Taxes.

RESPONSE:

- 2-3. TAWC currently recovers NOL assets through both base rates and the Capital Riders surcharges. Identify any Private Letter Rulings the Company is aware of in which the IRS has determined a company to be in violation of the normalization provisions of the Internal Revenue Code, despite the fact the Company was recovering its full NOL asset through rates (either base rates, or some combination of base rates and surcharge/rider rates). If TAWC cannot provide any such Private Letter Rulings, provide a comprehensive analysis explaining how the Company's proposal to recover its NOLC balance is appropriate and does not result in a double count of its NOL asset balance from its ratepayers.

RESPONSE:

- 2-4. Provide the calculations and supporting workpapers underlying all references to returns and pro-forma calculations contained in response to Consumer Advocate Request No. 1-29.

RESPONSE:

- 2-5. Provide a detailed schedule of all the book/tax timing differences comprising the TAWC balance of Accumulated Deferred Income Taxes as of December 31, 2018.

RESPONSE:

- 2-6. Provide a copy of the TAWC general ledger as of December 31, 2018, providing year to date results for all Income Statement balances.

RESPONSE:

2-7. Provide a listing of all TAWC accounts and account titles in use as of December 31, 2018.

RESPONSE:

2-8. Regarding the response to Consumer Advocate Request No. 1-3, and specifically referencing Tax Basis Balance Sheet adjustments, provide a comprehensive explanation of this phrase, and identify each adjustment comprising the \$842,765.

RESPONSE:

2-9. Regarding the response to Consumer Advocate Request No. 1-27, in which the Company identifies its Incentive Compensation, respond to the following:

- a. Provide the split of these costs between direct TAWC incurred costs and those costs allocated to TAWC from other affiliates, presumably, but in no way limited to, American Water Works Service Company.
- b. If the costs identified within the response to No. 1-27 do not include costs allocated to TAWC from affiliate companies, identify such incentive compensation costs allocated to TAWC for 2018, identified by cost component.
- c. If these costs represent estimated accruals recorded throughout 2018, provide a comprehensive explanation of how and when true-ups are recorded. If 2018 actual incentive compensation for either direct TAWC costs, or allocated costs from TAWC affiliates, have not been recorded on the books of TAWC during 2018, provide a comprehensive explanation of the timing for recording 2017 Incentive Compensation true-ups and identify the amount of such 2017 true-ups recorded to 2018 expense.

RESPONSE:

2-10. Refer to The Earnings Test Exhibit submitted by TAWC in Docket No. 19-00031. Provide a comprehensive description for each note/change from the monthly report referenced on this Exhibit. Within your response, indicate the amount of the change, why the change was made, and how the amount of the change was determined.

RESPONSE:

RESPECTFULLY SUBMITTED,



DANIEL P. WHITAKER III (BPR No. 035410)
Assistant Attorney General
Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, Tennessee 37202-0207
Telephone: (615) 741-1671
Facsimile: (615) 532-2910
Email: Daniel.Whitaker@ag.tn.gov

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
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com

Elaine K. Chambers
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Elaine.K.Chambers@amwater.com

This the 25th day of March, 2019.



DANIEL P. WHITAKER III
Assistant Attorney General

Office of the Tennessee Attorney General
Consumer Advocate Unit of the Financial Division
Docket No. 13-00120
Calculation of TAWC 13 Month Average Plant in Service

Line #		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	13 Month Average
1	Additions:														
2	Plant in Service	\$ 312,344,667.00	312,914,868	314,161,550	314,161,550	315,433,611	315,944,373	316,716,562	317,016,258	317,597,616	318,937,485	319,267,756	321,146,516	323,576,583	316,863,056
3	Plant Under Construction	4,065,376	4,302,364	3,618,906	3,618,906	3,939,391	4,115,487	5,119,144	6,368,646	7,798,161	9,259,264	10,656,004	12,432,467	11,539,185	6,709,023
4	Property Held for Future Use	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Materials and Supplies	914,411	909,768	951,458	951,458	870,891	918,704	886,219	893,955	903,629	888,955	901,010	906,941	893,746	907,011
6	Other Additions:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Leased Utility Plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Unamortized Planting - net	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884
9	Working Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Additions	320,734,338	321,536,884	322,141,798	322,141,798	323,653,777	324,398,398	326,131,809	327,688,743	329,893,280	332,495,588	334,434,634	337,896,208	339,419,398	327,888,974
11															
12	Deductions														
13	Accumulated Depreciation and Amortization	89,803,736	90,317,894	90,808,361	90,808,361	87,021,807	87,501,085	88,413,030	89,106,753	89,702,806	90,353,648	90,936,852	91,207,526	90,820,060	89,764,771
14	Accumulated Deferred Income Taxes	42,037,767	23,861,771	23,766,666	23,766,666	24,313,534	24,137,728	24,550,185	48,664,446	48,948,707	48,511,818	48,365,294	48,306,064	43,297,331	38,232,152
15	Unamortized Investment Credit - Pre 1971	6,775	6,517	6,259	6,259	5,743	5,485	5,217	4,869	4,711	4,453	4,195	3,937	3,679	5,247
16	Customer Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Other Deductions:														
18	Contributions in Aid of Construction	17,119,159	17,299,418	17,312,882	17,312,882	17,605,751	17,789,021	17,763,152	17,741,283	17,736,418	17,710,742	17,685,065	17,815,319	17,797,628	17,591,440
19	Customer Advances for Construction	3,281,859	3,141,373	3,224,215	3,224,215	3,484,566	3,289,481	3,298,679	3,314,327	3,330,517	3,335,599	3,372,093	3,466,124	3,449,777	3,520,217
20	All Other	(1,084,545)	(1,323,305)	(1,332,496)	(1,332,496)	(1,330,957)	(1,330,602)	(1,338,941)	(1,268,081)	(1,323,603)	(1,168,547)	(1,315,460)	(1,264,453)	(1,111,521)	(1,270,383)
21															
22															
23															
24															
25	Total Deductions	151,166,751	133,343,168	133,785,887	133,785,887	131,110,944	131,882,138	136,680,532	157,563,707	158,399,556	158,947,713	158,990,031	159,534,517	154,256,554	147,643,445
26															
27	Rate Base	169,567,587	188,183,716	188,355,911	188,355,911	192,542,833	192,506,260	189,442,277	170,125,036	171,493,724	173,647,875	175,436,603	178,361,691	185,182,444	180,245,529
28															

A/ Compilation of TAWC Supplemental Financial Data to PSC-3.06