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September 18, 2019

**VIA ELECTRONIC FILING**

[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

Hon. Robin L. Morrison, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utilities Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

**RE: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2019 Capital Recovery Riders Reconciliation, Docket No. 19-00031***

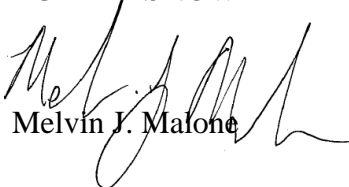
Dear Chairman Morrison:

Attached for filing please find *Tennessee American Water Company's Responses to the Third Discovery Requests of the Consumer Advocate* in the above-captioned matter.

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

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Attachments

cc: Elaine Chambers, Tennessee-American Water Company  
Daniel P. Whitaker III, Assistant Attorney General, Financial Division, Consumer Advocate Unit  
Karen H. Stachowski, Assistant Attorney General, Financial Division, Consumer Advocate Unit

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BUTLER SNOW LLP

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

**PETITION OF TENNESSEE-AMERICAN )  
WATER COMPANY REGARDING )  
CHANGES TO THE QUALIFIED )  
INFRASTRUCTURE INVESTMENT )  
PROGRAM RIDER, THE ECONOMIC )  
DEVELOPMENT INVESTMENT RIDER, )  
AND THE SAFETY AND )  
ENVIRONMENTAL COMPLIANCE )  
RIDER AND IN SUPPORT OF THE )  
CALCULATION OF THE 2019 CAPITAL )  
RECOVERY RIDERS RECONCILIATION )**

**DOCKET NO. 19-00031**

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**TENNESSEE-AMERICAN WATER COMPANY’S RESPONSES  
TO THIRD DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE**

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Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Responses to the Third Discovery Requests propounded by the Consumer Advocate Unit in the Financial Division of the Attorney General’s Office (“Consumer Advocate”).

**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 “Authority”).

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, speculative, unduly burdensome, irrelevant 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 Consumer Advocate's discovery requests.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 19-00031  
THIRD DISCOVERY (INFORMAL) REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness: Elaine K. Chambers**

**Question:**

1. Regarding the Capital Rider Tariff:
  - a. Confirm that the tariff provisions of the Capital Riders call for the recognition of Plant Retirements when calculating the Net Qualifying Investment used in computing the Allowed Pre-Tax Return.
  - b. Confirm that in fact the Company's calculation of Net Investment is not reduced by Plant Retirements. If this is not confirmed, provide cell references indicating that Plant retirements have been used to reduce Net Qualifying Investment.

**Response:**

1. Regarding the Capital Rider Tariff:
  - a. Yes.
  - b. Yes. The company does confirm this statement. Since plant retirements have zero impact on net investment or rate base, the company is not reflecting offsetting amounts on the cost of removal and accumulated depreciation lines. Accumulated Depreciation is currently only being reflected as depreciation expense for filing purposes. The Company would be more than willing to adjust both amounts for plant retirements but believes, per above, that this will have no impact on the revenue requirement. The only impact plant retirements have had on the revenue requirement, since the original docket #13-00130, is on the calculation of depreciation expense. Please refer to the attachment TAW\_R\_CPADDR3\_NUM002\_091819 for an illustration of the rate base impact of plant retirements.

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 19-00031  
THIRD DISCOVERY (INFORMAL) REQUEST OF THE  
CONSUMER ADVOCATE AND PROTECTION DIVISION**

**Responsible Witness: Elaine K. Chambers**

**Question:**

2. Regarding the inclusion of Cost of Removal in Rate Base:
  - a. Confirm that the Company's Depreciation rates include a component for estimated future removal costs.
  - b. If this is confirmed, provide the theoretical justification for inclusion of Cost of Removal in the Capital Rider Rate Base given that funding for such expenditures has previously been provided by ratepayers - notwithstanding that such costs are identified as Qualifying Investment in the Capital Rider tariffs.

**Response:**


2. Regarding the inclusion of Cost of Removal in Rate Base:
  - a. Yes.
  - b. The basic ratemaking formula allows utilities to receive a fair return on its investments and a return of its expenses. One of the objectives with applying this formula is the effectiveness in yielding total revenue requirements. The inclusion of a component for estimated future removal costs in depreciation rates provides a recovery of the expense from the customers whom are being provided service from the assets. This cost is recovered ahead of the expenditure and assumes that the proper level of recovery is set to recover those future costs.

At the same time the expense is recovered, rate base is reduced providing a fair return on the current level of investment from the existing customers. When such expenditures for removal of the existing assets is made and the asset replaced, the reduced rate base should be now be increased to reflect the current level of investment. This again allows the utilities' a fair return on rate base from current/future customers as they will be provided more reliable service with the new asset. Please refer to the attachment file TAW\_R\_CPADDR3\_NUM002\_091819 for an illustration of a plant recovery.

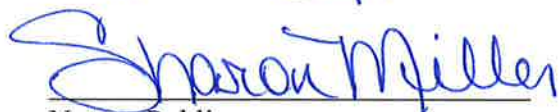
STATE OF Kentucky )  
COUNTY OF Fayette )

BEFORE ME, the undersigned, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Elaine Chambers, 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.

  
Elaine Chambers

Sworn to and subscribed before me  
this 17<sup>th</sup> day of Sept., 2019.

  
Notary Public

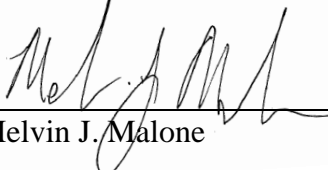
My Commission expires: 7/25/2020

## **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 P. Whitaker III  
Karen H. Stachowski  
Assistant Attorney General  
Office of the Tennessee Attorney General  
Consumer Advocate Unit, Financial Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Daniel.Whitaker@ag.tn.gov](mailto:Daniel.Whitaker@ag.tn.gov)  
[Karen.Stachowski@ag.tn.gov](mailto:Karen.Stachowski@ag.tn.gov)

This the 18<sup>th</sup> day of September, 2019.



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Melvin J. Malone

- (a) Records the initial investment to Utility Plant in Service. Offset in Cash
- (b) Records the annual depreciation expense related to the investment which includes net salvage.
- (c) Records the retirement of the asset that has been fully depreciated.
- (d) Records the final investment removing the asset from service. Offset in Cash.