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July 9, 2020

VIA ELECTRONIC FILING

Hon. Kenneth C. Hill, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *Joint Petition of Tennessee-American Water Company and Thunder Air, Inc. d/b/a Jasper Highlands Development, Inc. for the Approval of an Asset Purchase Agreement and for the Issuance of a Certification of Convenience and Necessity; Docket No. 20-00011*

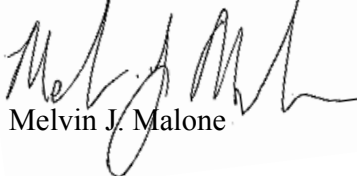
Dear Chairman Hill:

Attached for filing please find the Joint Petitioners' *Responses to Second Discovery Requests of the Consumer Advocate* in the above-captioned matter. Please note that Response Nos. 2-1 and 2-16 of the Discovery Requests are being submitted **UNDER SEAL as CONFIDENTIAL and PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of Response Nos. 2-1 and 2-16 are attached.

As required, one (1) hard copy 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: Elaine Chambers, TAWC

Daniel P. Whitaker III, Assistant Attorney General, Financial Division, Consumer Advocate Unit

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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**

DOCKET NO. 20-00011

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

Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Responses to the Second 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. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-1. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically refer to Row 6 of this spreadsheet, which provides the projected customer count for the base year as well as forecasted years 1 through 5. Although the notes to this spreadsheet state that the source of this information is from the "Base Year Customer count per Dane Bradshaw testimony page 4, increasing per year as shown", we are unable to locate either the base or the forecasted customer counts anywhere in Mr. Bradshaw's testimony. Please provide the source and support for the customer counts used in the Company's base year and forecasted years.

Response:

For the customer counts used in the Company's base year, please see page 4, ll 69-74 and ll 87-88 of the Pre-filed Direct Testimony of TAWC Witness Grady Stout, TPUC Docket No. 20-00011. In projecting from the base year (139), TAWC relied upon the growth of Thunder Air, Inc.'s development (See pages 3-5 of the Pre-filed Direct Testimony of Thunder Air, Inc. Witness Dane Bradshaw, TPUC Docket No. 20-00011; and page 4, ll 72-73 of the Pre-filed Testimony of TAWC Witness Grady Stout.) Please see **CONFIDENTIAL** attachment **CONFIDENTIAL AND PROPRIETARY** Thunder Air, Inc. Response to DR 2-1 ATTACHMENT, which shows the Customer Water Projections.

PUBLIC VERSION

Thunder Air, Inc. Response to DR 2-1 ATTACHMENT

TPUC Docket No. 20-00011

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Dane Bradshaw, Thunder Air, Inc.

Question:

2-2. R Refer to the Excel spreadsheet provided with the Company's response to CA Request No. 1-13 regarding customer usage by month from January 2017 through December 2019, and provide the following information:

- a. The total monthly customer counts by customer class (residential, commercial, other public authority, etc.) from January 2017 through December 2019; and
- b. The identity of the specific non-residential customers classified by customer class (commercial, other public authority, etc.).

Response:

- a. Thunder Air, Inc. objects to this request on the grounds that it is unduly burdensome, unreasonably cumulative or duplicative. It would require a substantial amount of time and resources to produce the information requested in this subsection. Subject to the foregoing objections, Thunder Air, Inc. responds as follows:

Customer count as of December 31, 2017 – 80

Customer count as of December 31, 2018 – 123

Customer count as of December 31, 2019 – 166

- b. Please refer to the attached Thunder Air, Inc. Response to DR 2-2(b) ATTACHMENT.

Thunder Air, Inc. Response to DR 2-2(b) ATTACHMENT

POA

Customer ID	Customer Name	Bill To Address 1	Bill To City	Bill To State	Bill To Zip		# of Meters
JHPOA	Jasper Highlands POA, Inc	210 Battlecreek Rd	South Pittsburg	TN	37380		7
James Wessell	James Wessell	c/o JH Volunteer Fire Dept	Union Grove	AL	35175		1
						Total	8

Commercial

Customer ID	Customer Name	Bill To Address 1	Bill To City	Bill To State	Bill To Zip	E-mail	# of Meters
TAI	Thunder Air	PO Box 4737	Chattanooga	TN	37405	Maggie@thunderenterprises.com	4
Top of The Rock	Top of The Rock	1584 Jasper Highlands Blvd.	Jasper	TN	37347	accounting@topoftherockbrewery.com	2
						Total	6

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen/Grady Stout, TAWC

Question:

2-3. Refer to the "Source Data" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to the "Jasper Highland - Billed Usage" section of this spreadsheet which provides the monthly billed water usage from December 2017 through November 2018, and provide the following information:

- a. Indicate whether the billed usage on this spreadsheet represents gallons, cubic feet, or some other type of measurement;
- b. Reconcile the monthly billed usage presented here with the monthly usage presented with the Company's response to CA Request No. 1-13. Specifically, we note that the monthly billed usage for August 2018 through October 2018 does not match up between these two schedules; and
- c. Provide the source and support for the customer count of 123 customers included on this schedule and reconcile this amount with the customer counts presented on the Company's response to CA Request No. 1-13.

Response:

- a. Gallons.
- b. The Jasper Highland – Billed usage on the spreadsheet refers to the month invoiced, while the columns in Thunder Air, Inc.'s revised response to CA Request No. 1-13 refer to the month used. So, for instance, the November 2017 usage column in the

revised response to CA Request No. 1-13 corresponds with the December 2017 invoiced usage.

- c. The source and support for the customer count of 123 customers are the water monthly meter readings and monthly customer invoices of Jasper Highlands Property Owners Association. Thunder Air, Inc.'s revised response to CA Request No. 1-13 reconciles with the customer count of 123 customers on the spreadsheet in TAWC's response to CA Request No. 1-4 (Supplemental). As reflected in the revised response to CA Request No. 1-13, customer counts 1 through 123 were customers of the System in November 2018. Also, as reflected in the revised response to CA Request No. 1-13, customer counts 124 through 166 became customers of the System after November 2018.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-4. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 7 of this spreadsheet which provides the projected monthly usage per customer for the base year as well as forecasted years 1 through 5. The Company's forecast reflects a declining customer usage of 1.8% per year for forecasted years 1 through 5. Provide the source and support for this declining use factor of 1.8%.

Response:

The Company's forecast of a declining customer usage factor of 1.8% per year for forecasted years 1 through 5 is a reasonable estimate.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Dane Bradshaw, Thunder Air, Inc.

Question:

2-5. Refer to the Company's response to CA Request No. 1-9 regarding the formulas for the origination of the existing tariff rates for Thunder Air/Jasper Highlands. The Company's response only indicates that the existing tariff rates for Thunder Air/Jasper Highlands were included in TAWC's proposed tariff. Provide the calculations originally utilized by Thunder Air/Jasper Highlands to arrive at the following existing tariff rates:

First 2,500 Gallons	\$67.50
Next 2,500 Gallons	\$1.70 per 100 Gallons
Next 2,500 Gallons	\$1.51 per 100 Gallons
Over 7,500 Gallons	\$1.35 per 100 Gallons

Response:

Thunder Air, Inc.'s water rates were initially set September of 2014. While usage discounts were added in September 2016, the rates have not been increased since they were established in September 2014. Thunder Air, Inc.'s previous CFO was primarily responsible for establishing the rates for water service. The previous CFO used the rates charged to Thunder Air, Inc. by South Pittsburg Water Works and other costs, including meters and meter installation, electricity for pump stations, the Water Board fee, administrative costs and maintenance and repairs.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-6. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 15 of this spreadsheet, which provides the projected "QIP" revenue for the base year as well as forecasted years 1 through 5. Provide the source and support for the Company's assumption of a 3.5% "QIP" rate to be applied to base year revenues as well as the annual 3.5% escalation of this rate in forecasted years 1 through 5.

Response:

The Company's projection of a 3.5% "QIP" rate is based upon the Company's experience of investments, as submitted to and approved by the Commission, pursuant to the Capital Recovery Riders.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-7. Refer to the "P&L" tab of the Excel Spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 18 of this spreadsheet, which provides the projected "Cost of Sales" expense for the base year as well as forecasted years 1 through 5 and provide the following information:

- a. Describe in detail the Company's rationale for the base year formula for Cost of Sales of \$49,346. An analysis of this formula indicates that it is calculated using data for the nine months ended September 30, 2017, by first taking the total cost of sales (\$83,947.87) and then deducting water meter expense (\$58,050.00) and then dividing this total by total revenues (\$113,280.99), giving a cost of sales to revenue ratio of 22.86%. This percentage is then applied to the Company's base year and forecasted revenues and then increased by 6% for the base year and 2% for each of the forecasted years. Therefore, in your response, specifically explain why the Company is including "Water Administration Expense" in this calculation since it appears to be related to the management fees of Thunder Air/Jasper Highlands;
- b. Provide the source and support for the 6.0% annual inflation factor used in the Cost of Sales formula for the base year; and
- c. Provide the source and support for the 2.0% annual inflation factor used in the Cost of Sales formula for each of the forecasted years.

Response:

- a. The "Water Administration Expense" should not have been included.
- b. Since the data is 3 years old, the Company estimated the annual inflation factor by using the annual inflation factor from subsection (c) below of 2.0% and multiplying it by 3.
- c. The 2% annual inflation is a reasonable estimate.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-8. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 19 of this spreadsheet, which provides the projected "Other O&M" expense for the base year as well as forecasted years 1 through 5. Provide the source and support for the TAWC Average expense per customer of \$126 as referenced in the "Notes" column of this spreadsheet.

Response:

Based on 2018 TAWC financials, a calculation was made using service company costs and certain O&M costs to reasonably estimate the potential additional costs associated with acquiring the System. Please see TAWC Response to DR 2-8 ATTACHMENT, which shows the 2018 O&M Expenses.

TAWC 2018 O&M Expenses

	2018 Actual	2018 Adjusted	
Service Company costs	6,711,892	\$ 6,711,892	
Contracted services	966,340	\$ 966,340	
Building maintenance and services	200,461	\$ 100,230	
Telecommunication expenses	190,979	\$ 95,489	
Postage printing and stationery	25,228	\$ 12,614	
Office supplies & expenses	190,747	\$ 95,373	
Advertising & marketing expenses	67,091	\$ 33,546	
Employee related expense travel & entertainment	181,542	\$ -	
Miscellaneous expenses	590,663	\$ 295,331	
Rents	61,267	\$ 30,634	
Transportation	285,244	\$ 142,622	
Operating supplies & services	2,759,561		
Uncollectible Accounts Exp	731,793	\$ -	
Customer accounting other	870,746	\$ 435,373	
Regulatory expense	301	\$ 151	
Insurance other than group	583,509	\$ 291,755	
Maintenance service & supplies	1,636,414	\$ 818,207	
Total operation and maintenance	24,574,363	\$ 10,029,556	
		80,491	Customer Count
		\$ 125	

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-9. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 20 of this spreadsheet, which provides the projected "General Taxes" expense for the base year as well as forecasted years 1 through 5. Provide the source and support for the application of a 1.00% factor applied to the net purchase price as a proxy for general taxes.

Response:

The 1.00% factor applied to the net purchase price is a proxy to represent the property tax that the Company will pay for the purchased assets. The factor is a reasonable estimate.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-10. Refer to the "P&L" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 21 of this spreadsheet, which provides the projected "Depreciation" expense for the base year as well as forecasted years 1 through 5. Provide the source and support for the 60-year life used in the depreciation expense calculation.

Response:

The average of 60 was derived by averaging the expected lives highlighted in yellow below:

	60.00
Update PPE based on UA (Plant Accounting)	Expected life
Treatment and pumping	50.00
Land	
Sources of Supply	70.00
Transmission and distribution	35.00
Services, meters and fire hydrants	18.00
Services, meters and fire hydrants	55.00
Transmission and distribution	95.00
Transmission and distribution	35.00
Transmission and distribution	95.00

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC and Dane Bradshaw, Thunder Air, Inc.

Question:

2-11. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Rows 8 and 9 which show Base Year values for utility plant and accumulated depreciation of \$6,663,619 and \$-290,875 respectively. Next, refer to the Excel spreadsheet attachment provided with the Company's response to CA Request No. 1-17, representing the "general ledger for the water system being transferred from Thunder Air to TAWC from inception through December 31; 2019." It appears that general ledger provided in response to CA Request No. 1-17 omits the plant accounts supporting the plant in service and related accumulated depreciation along with any deferred income taxes. Provide a copy of the Thunder Mountain/Jasper Highlands ledger from inception through December 31, 2019 for all accounts. In addition, reconcile the December 2019 balance from this ledger with the plant in service of \$6,663,619 and related accumulated depreciation of \$-290,875 as shown in the Company's response to CA Request No. 1-4 (Supplemental).

Response:

With respect to the general ledger and the plant accounts supporting the plant in service, please see the response to DR 2-16. Further, Thunder Air, Inc.'s response in DR1-17 included the general ledger of the water system accounts of Jasper Highlands Property Owners Association. The plant assets related to the water system are recorded on the books of Thunder Air, Inc., as those assets are owned by Thunder Air, Inc. and leased to Jasper Highlands Property Owners Association. Thus, depreciation on the plant assets is realized by Thunder Air, Inc. To the extent the request seeks a copy of the general ledger of Thunder Air, Inc., for all accounts from inception through December 31, 2019, Thunder Air, Inc. objects to this request on the grounds that the request is irrelevant, overbroad, unduly burdensome and not sufficiently narrowly tailored to this case.

As for reconciling the \$6,663,619 figure, the asset listing provided by Thunder Air, Inc. totaled \$4,631,524.31. The same document included soft costs totaling \$2,032,094.83. The combined numbers equal \$6,663,619.14. In the company's response to DR 2-4, pump houses land was included on the line with pump houses fully equipped, arriving at depreciation of \$290,875.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-12. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 8, which shows the Year 1 Utility Plant amount of \$6,728,619. Provide the source and support for the \$65,000 addition included in this value.

Response:

Please see response to DR 2-13.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-13. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 10, which shows the Year 1 Accumulated Depreciation of \$-335,178. Provide the source and support for the 15-year life applied to the \$65,000 adjustment included in this value.

Response:

Please see page 8, ll 161-170 of the Pre-filed Direct Testimony of TAWC Witness Grady Stout, TPUC Docket No. 20-00011. The 15-year life applied to the \$65,000 is consistent with length of service for meters.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-14. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 27, which shows the projected retained earnings for the base year as well as forecasted years 1 through 5. Provide the source and support for the "75% dividend" included in this value.

Response:

The 75% dividend is consistent with the dividend TAWC submits to American Water Company, which is 75% of net income from the previous quarter.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Brian Queen, TAWC

Question:

2-15. Refer to the "BS" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-4 (Supplemental). Specifically, refer to Row 40, which shows the projected deferred income taxes for the base year as well as forecasted years 1 through 5. Provide the source and support for the Company's use of a 3.0% factor as applied to total utility plant to compute the forecast of deferred income taxes.

Response:

The 3.0% factor is a reasonable estimate.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Dane Bradshaw, Thunder Air, Inc.

Question:

2-16. Refer to the "Comparison" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-10. Specifically, refer to the table titled "Jasper Highlands Water System-General Asset Listing" inserted in Cells DI 7 through H33 of this spreadsheet that results in a total of \$4,631,524.31 in "Total Water Infrastructure Hard Cost at February 28, 2019". Provide the source and support for each component of this amount, including the monthly accumulation of original cost plant from inception through February 28, 2019.

Response:

The source and support for each component of this amount is attached. See **CONFIDENTIAL AND PROPRIETARY** Thunder Air, Inc. Response to DR 16 ATTACHMENT.

PUBLIC VERSION

Thunder Air, Inc. Response to DR 2-16 ATTACHMENT

TPUC Docket No. 20-00011

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Elaine Chambers, TAWC

Question:

2-17. Refer to the "Comparison" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-10. Specifically, refer to the table titled "Jasper Highlands Water System-General Asset Listing" inserted in Cells D17 through H33 of this spreadsheet that results in a total of \$2,032,094.82 in "Total Soft Costs". Provide the following information related to this amount:

- a. Provide the Company's definition of "Soft Costs" that are included here;
- b. Provide the Company's rationale for including these "Soft Costs" as original cost plant in service; and
- c. Provide the source and support for each component of these "Soft Costs."

Response:

- a. The term "Soft Costs" is more routinely known in Plant Accounting records as "Overhead Costs."
- b. Overhead costs are embedded in each asset using appropriate allocations so that the asset cost includes all related direct and indirect costs before the asset is placed in service.
- c. The source of the soft cost information is from the records of Thunder Air, Inc. These costs are summarized in the "Comparison" tab. Supervision Cost consists of inspection and oversight expenses for contraction work related to Jasper Highlands Assets. Borrowing Costs are expenses related to interest costs associated with debt incurred to finance construction and other system costs. Entrepreneurial Profit are expenses associated with the contractual oversight and procurement of construction work. Capitalized Management Revenue are expenses associated with issuing equity debt for construction and other system costs.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Elaine Chambers, TAWC

Question:

2-18. Refer to the "Comparison" tab of the Excel spreadsheet provided with the Company's response to CA Request No. 1-10. Specifically, refer to Cell H2 of this spreadsheet, which contains the value "39" and appears designed to calculate the monthly accumulated depreciation through March 31, 2020. Provide the following information related to this amount:

- a. Confirm whether it is the Company's intention to record accumulated depreciation for 39 months (January 2017 through March 31, 2020) prior to its proposed acquisition of the water system; and
- b. Explain the Company's rationale for depreciating this plant prior to its acquisition date.

Response:

- a. The asset listing provided to us by the seller was the original cost of the assets with no accumulated depreciation. We were also informed that the system was estimated to be three years old. Therefore, we estimated and calculated depreciation based on this in-service information provided.
- b. The 39 months (January 2017 through March 31, 2020) was based on an estimate at the time when it was thought the acquisition date would be 3/31/20. Upon approval of the Joint Petition, we will change the estimated months of the accumulated depreciation calculation based on the final acquisition date.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 20-00011
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Dane Bradshaw, Thunder Air, Inc.

Question:

2-19. Refer to the spreadsheet provided with the Company's response to CA Request No. 1-19 regarding lost and unaccounted-for water from January 2017 through December 2019, which results in the following total values for this 36-month period:

Metered Water Purchases (Gallons)	32,631,100
Metered Water Sales (Gallons)	21,641,181
Lost & Unaccounted-For Water Usage	10,989,919
Lost & Unaccounted-For Water Percentage	33.68%

Explain the cause of lost and unaccounted-for usage as well as the Company's plans to remedy it.

Response:

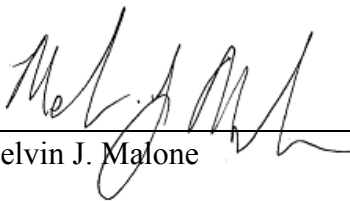
The "Lost and Unaccounted for Water Usage" column reflects Thunder Air's need to flush the lines in phases two and three to keep chlorine levels high. Hotter months require the lines to be flushed more frequently. Additionally, this column reflects the need to fill and empty new lines several times when a new line is activated.

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
Assistant Attorney General
Economic and Regulatory Section
Financial Division, Consumer Advocate Unit
Office of the Tennessee Attorney General
War Memorial Building, 2nd Floor
301 6th Avenue North
Nashville, TN 37243
Daniel.Whitaker@ag.tn.gov

This the 9th day of July, 2020.



Melvin J. Malone