

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE: )  
)  
PETITION OF TENNESSEE-AMERICAN )  
WATER COMPANY REGARDING )  
CHANGES TO THE QUALIFIED )  
INFRASTRUCTURE INVESTMENT ) Docket No. 20-00028  
PROGRAM RIDER, THE ECONOMIC )  
DEVELOPMENT INVESTMENT RIDER, )  
AND THE SAFETY AND )  
ENVIRONMENTAL COMPLIANCE RIDER )  
AND IN SUPPORT OF THE CALCULATION )  
OF THE 2020 CAPITAL RECOVERY )  
RIDERS RECONCILIATION )

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CONSUMER ADVOCATE'S SECOND SET OF DISCOVERY REQUESTS  
TO TENNESSEE-AMERICAN WATER COMPANY

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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](mailto:Melvin.Malone@butlersnow.com)

Elaine K. Chambers  
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This Second Discovery Request 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 Advocate Unit in the Financial Division of the Office of the Attorney General ("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, War Memorial Building, 301 6<sup>th</sup> Avenue North, Nashville, Tennessee 37243, c/o Daniel P. Whitaker, III on or before Tuesday, June 9, at 2:00 p.m. CST.

### **PRELIMINARY MATTERS AND DEFINITIONS**

These Additional Discovery Requests incorporate by reference 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 April 28, 2020, 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. Regarding the Company's response to Consumer Advocate Request No. 1-1, provide a comprehensive explanation defining the charges to Account 1080400 Accumulated Depreciation – Original Cost, including the distinction between recordings to this account and those to Account 1080100 Accumulated Depreciation – Utility Plant in Service.

#### **RESPONSE:**

- 2-2. Regarding the Company's response to Consumer Advocate Request No. 1-1, provide a comprehensive discussion differentiating the charges recorded to account 18680000 Reg Asset – Cost of Removal and 18680100 Regulatory Asset – Cost of Removal RWIP.

#### **RESPONSE:**

- 2-3. Regarding the Company's response to Consumer Advocate Request No. 1-1, indicate whether the Allowance for Funds Used During Construction (AFUDC) rate is applied to the balances within accounts (a) 1868000 Reg Asset Cost of Removal and (b) 18680100 Regulatory Asset – Cost of Removal. If so, provide the justification for the application of the AFUDC charge and provide an example of such calculation for the month of February 2019.

**RESPONSE:**

- 2-4. Provide a comprehensive discussion of the nature of the \$4 million increase in Retirement Work in Progress (RWIP) in December 2019 versus December 2018.

**RESPONSE:**

- 2-5. Provide the electronic files for the month of September 2019 that TAWC provides monthly to the Commission.

**RESPONSE:**

- 2-6. Certain balances in Accounts 1868000 and 18681000 are shown as zero within the Trial Balance tabs of TAWC's monthly TN Statements provided to the Commission and Consumer Advocate (*see e.g.*, August). Confirm that this is the result of closing RWIP projects on a periodic basis. If not, provide a comprehensive explanation indicating why the balances in these two accounts are reflected as zero within certain months, including July 2019.

**RESPONSE:**

- 2-7. It appears that there were no RWIP balances included in Rate Base in the last TAWC rate case. Please confirm whether this is accurate or provide appropriate evidence indicating such balances were in fact included in Rate Base.

**RESPONSE:**

- 2-8. The balance of RWIP included in Rate Base for purposes of computing the Earnings Test includes balances for the month of December for accounts 18680000 and 18680100 of \$8,549,379 and \$931,384 respectively. For each project associated with costs within each of these two accounts at December 2019, summarize the project, identify the RWIP balance associated with the project, and indicate whether the retirement project was directly or indirectly related to the September 2019 Main break.

**RESPONSE:**

- 2-9. Information publicly available within the Tennessee Ethics Commission website indicate that Daphne Kirksey was a registered lobbyist for the Company in 2019. The confidential response to Consumer Advocate Request No. 1-2 indicates that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**RESPONSE:**

- 2-10. If the Company confirms that [REDACTED]
- [REDACTED] please provide an estimate of the appropriate labor and benefit costs associated with Ms. Kirksey's

lobbying efforts, including but not limited to internal meetings to discuss strategy, working with external lobbyists, and advising superiors of the status of the lobbying efforts. Include a description of how such estimate was developed.

**RESPONSE:**

- 2-11. Information publicly available within the Tennessee Ethics Commission website indicates that Valoria Armstrong was the supervisor of Ms. Kirksey in 2019. Confirm that none of the employee costs (labor and benefits) of Ms. Armstrong are identified as lobbying costs within the Earnings Report submitted in this docket. If this is confirmed, provide a reasonable cost estimation of lobbying costs (inclusive of labor and benefit charges) associated with Ms. Armstrong's oversight of Ms. Kirksey's lobbying efforts. Provide the underlying assumptions developed within this calculation inclusive of the estimated time Ms. Armstrong spent in the development of legislation and oversight of lobbying efforts.

**RESPONSE:**

- 2-12. Provide a comprehensive discussion of how lobbying costs are identified for purposes of financial reporting to the Commission.

**RESPONSE:**

- 2-13. The legal costs incurred in 2019 effectively reduce the excess earnings otherwise credited to ratepayers within the TAWC Capital Riders mechanism. With respect to legal costs associated with Butler Snow, respond to the following:
- a. Provide monthly invoices for the months of January – April 2019.
  - b. Provide monthly invoices for the months of September – December 2019.
  - c. Identify costs incurred by Butler Snow and charged to expense on the books of the Company associated with any work performed in the following areas:
    - i. Participating in meetings with TAWC to discuss legislative strategy;
    - ii. Participating in meetings with TAWC external lobbyists to discuss legislative strategy;

- iii. Participating in meetings with Tennessee elected representatives;
- iv. Any work performed outside of meetings regarding the development or review of legislative strategy, writing or editing draft legislation, or meetings involving the discussion of legislative activities with affiliates of TAWC; and
- v. Work performed in any manner related to the September 2019 main break and applicable actions of third parties arising from this occurrence.

**RESPONSE:**

- 2-14. Provide invoices for the following firms for 2019: Baker Donelson, Littler Mendelson, and K&L Gates. For each listed firm, provide the amount of costs associated with work performed in any manner related to the September 2019 main break.

**RESPONSE:**

- 2-15. Regarding the Company's response to Consumer Advocate Request No. 1-6(c), provide the Account Distribution for the identified capital expenditures by month.

**RESPONSE:**

- 2-16. Regarding the response to Consumer Advocate request 1-10 (referenced in the spreadsheet provided in the Company's response to Consumer Advocate Request No. 1-9), specifically related to Account 5315500 Contract Services – Legal, provide the following information:
- a. Reconcile the information provided within the response 1-10 and 1-09 related to Contracted Service – Legal account (totaling \$416,387), with the amounts provided in the Company's response to Consumer Advocate Response No. 1-4, which totals \$445,355.
  - b. Provide a comprehensive explanation for the large increase in Contract Services – Legal costs in September following by the large credit in October and smaller credit in November.

**RESPONSE:**

- 2-17. Please refer to the Company's response to Consumer Advocate Request No. 1-5. With respect to certain account balances identified in this answer, please respond to the following:

- a. Land and Land Rights – General -Account 303600 \$938k – Provide a comprehensive explanation of the nature of this purchase/development and indicate whether each component of this balance (and associated cost) is currently being used in the provision of service by the Company.
- b. Computer Software – Account 340300 \$1,330,386 – For any individual software component, provide an explanation of the nature of the software, its functionality and its cost. If the balance in this account includes any capitalized internal labor and associated benefit costs, please identify such amounts.
- c. Computer Software – Other Account 340330 \$539,579 - For any individual software component, provide an explanation of the nature of the software, its functionality and its cost. If the balance in this account includes any capitalized internal labor and associated benefit costs, please identify such amounts.
- d. Provide an explanation differentiating the types of assets in account 340300 contrasted with those in account 340330.

**RESPONSE:**

2-18. With respect to the Company's response to Consumer Advocate Request No. 1-6, confirm that the expenditures were recorded to a Retirement Work in Progress Account. If this is not confirmed, identify the specific account in which these costs were charged.

**RESPONSE:**

2-19. With respect to the Company's response to Consumer Advocate Request No. 1-11, identify the portion of costs remaining in the Earnings test associated with TAWC direct costs split between (a) Annual Performance Plan and (b) Long-Term Performance Plan.

RESPECTFULLY SUBMITTED,



**DANIEL P. WHITAKER III**

B.P.R. No. 035410

Assistant Attorney General

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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:

Melvin J. Malone  
Butler Snow LLP  
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This the 26<sup>th</sup> day of May, 2020.



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**DANIEL P. WHITAKER III**  
Assistant Attorney General