

**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. 21-00030
PROGRAM RIDER, THE ECONOMIC)	
DEVELOPMENT INVESTMENT RIDER,)	
AND THE SAFETY AND)	
ENVIRONMENTAL COMPLIANCE RIDER)	
AND IN SUPPORT OF THE CALCULATION)	
OF THE 2021 CAPITAL RECOVERY)	
RIDERS RECONCILIATION)	

**CONSUMER ADVOCATE’S FIRST 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 First 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, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Rachel C. Procaccini on or before Tuesday, April 27, 2021, at 2:00 p.m. CST.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Company and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.

2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.

3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to audit and analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.

4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or

immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. **Singular/Plural.** The singular shall include the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

(a) “You,” “Your,” “Company,” “Tennessee American,” or “TAWC” shall mean Tennessee American Water Company and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.

(b) “Affiliate” shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, “control” is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term “Affiliate” shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an “Affiliate”.

(c) “Communication” shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.

(d) “Document” shall have the broadest possible meaning under applicable law. “Document” shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or

note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made.

(e) “Person” shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(f) “Identify” with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(g) “And” and “or” shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

- i. “Including” shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

- 1-1.** Please see the attached file <ROE Earnings Test 2020>. Please either confirm the accuracy of the underlying Return on Equity (ROE) methodology as set forth in the attached schedule or provide a comprehensive explanation why the methodology is not accurate. If the Company does not agree with the methodology for computing the actual Return on

Equity, provide a corrected ROE calculation reconciled to financial information provided by the Company to the Tennessee Public Utility Commission (TPUC or the “Commission”).

RESPONSE:

- 1-2.** Provide the underlying calculation supporting the Allowance for Funds used During Construction (AFUDC) recordings in the months of May and September 2020. This response should provide the underlying calculation supporting the development of the rate applied to construction work in progress balances.

RESPONSE:

- 1-3.** Provide the 2020 accrued pension costs recorded on the books of TAWC split between those incurred for a) TAWC employees, and b) all other employees whose costs are allocated to TAWC.

RESPONSE:

- 1-4.** Provide a comprehensive description of the pension plan available to a) TAWC employees, and b) employees whose costs are allocated to TAWC to the extent more than one pension plan exists.

RESPONSE:

- 1-5.** Page 64 of American Waters’ 10 k Securities and Exchange (SEC) filing indicates it made Pension and post-retirement healthcare contributions of \$39 million. Provide the amount of such contributions split between Pension contributions and healthcare contributions. Further, provide the reasonable pro-rata amount of pension contributions applicable to TAWC operations and provide the rationale for such allocation.

RESPONSE:

1-6. Page 13 of American Waters' 10 k SEC filing indicates that the Companies Homeowner Services Group had approximately 3 million customer contracts in 43 states. With respect to these services provided to residents of Tennessee provide the following information:

- a. Number of Tennessee based warranty customers as of December 31, 2020;
- b. Annual revenue associated with the provision of warranty services derived from Tennessee based customers; and
- c. Annual expense associated with the provision of warranty services derived from Tennessee based customers. Provide an explanation of how such expenses were determined.

RESPONSE:

1-7. The reconciliation of actual gross plant in service is \$101,130,471. Please provide these cumulative plant additions by service territory.

RESPONSE:

1-8. Refer to tab, WKP SAP Revenues, within the file <TAW_2020_Capital_Rider_Recon>. Provide the titles of the General Ledger accounts and differentiate the rate numbers (TNNRF/TNRSW/TNNRW).

RESPONSE:

1-9. In light of the components of TAWC's last rate case, provide the justification for the capitalization of the following cost elements:

- a. AIP Cap Credits; and
- b. Pension Cap Credits.

RESPONSE:

1-10. Provide a copy of the American Water Services Company cost allocation manual or similar document setting forth the methodology used to assign costs of common services and assets charged to TAWC.

RESPONSE:

1-11. If not specifically identified within the response to Consumer Advocate DR No. 1-10 provided above, provide the costs assigned to TAWC by account, subaccount and cost type by month for the calendar year 2020.

RESPONSE:

1-12. Refer to the file <TAW_2000_Workpaper_Earnings Test>, specifically the incentive compensation reconciling item of \$583,517. Provide the components of this cost item split between the types of incentive compensation, further identified by the amounts of such compensation earned by Chattanooga based employees versus those incentive compensation costs allocated to TAWC. Provide a brief description of each type of incentive compensation cost.

RESPONSE:

1-13. The December 2020 TAWC Monthly report submitted to the Commission references Income Tax Expense in the amount of (\$565,487). Please provide the underlying calculation supporting this 2020 balance.

RESPONSE:

1-14. Please identify each person who you expect to call as an expert witness at the hearing on the merits in this docket, and for each such expert witness:

- a. Identify the field(s) in which the Company seeks to qualify each expert;

- b. Provide complete background information, including the witness's current employer, as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify;
- c. Identify all publications written or presentations presented in whole or in part by the witness, including either a copy of all such publications and presentations or a reference to where such publications and presentations may be publicly obtained;
- d. Provide the grounds for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- e. Identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- f. Identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- g. Identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert; and
- h. Please produce copies of all documents, summaries, charts, trade articles, journals, treatises, publications, workpapers, file notes, chart notes, tests, test results, interview notes, and consultation notes provided to, reviewed by, utilized by, relied upon, created by, or produced by any proposed expert witness in evaluating, reaching conclusions or formulating an opinion in this matter.

RESPONSE:

1-15. Please identify all persons having knowledge of discoverable matters in this case.

RESPONSE:

1-16. Please produce copies of all documents referred to or relied upon in responding to these discovery requests.

RESPONSE:

1-17. Please produce copies of all hearing exhibits that you plan to introduce, use, or reference at the hearing on the merits in this docket.

RESPONSE:

1-18. Please produce copies of all documents—including, without limitation, work papers, spreadsheets, summaries, charts, notes, exhibits, articles, journals, treatises, periodicals, publications, reports, records, statements, Internet web pages, or financial information—relied upon by any of your witnesses in evaluating, reaching conclusions, or formulating an opinion in this matter.

RESPONSE:

1-19. Identify all information, documents and things filed in the present docket record, including all responses to discovery of the parties and data request from the TRA Staff, which TAWC produced in this docket and does not agree to stipulate to the authenticity of such information, documents and things in this proceeding. For each separate piece of information, documents and things which TAWC produced in this docket and TAWC contends is not admissible as evidence describe in specific detail any objection(s) TAWC claims as to admissibility into the evidentiary record in this docket.

RESPONSE:

[Intentionally blank – signature page follows]

RESPECTFULLY SUBMITTED,

Rachel C. Procaccini

RACHEL C. PROCACCINI (*Pro Hac Vice*)

Practice Pending Admission

Counsel for the Consumer Advocate Unit

VANCE L. BROEMEL (BPR No. 011421)

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TPUC Docket No. 21-00030, Consumer Advocate's First Discovery Requests

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 14th day of April 2021.



RACHEL C. PROCACCINI

Counsel for the Consumer Advocate Unit

Tennessee American Water Company
Docket No. 21-00030
Computation of Return on Equity

CA Discovery Request 1-1

Calculation of Adjusted Return on Equity

Item	Amount	Source
Net Income	\$ 10,096,482	TAWC Monthly Report - December 2020
Plus/(Minus) NOI Items		
2019 Earning Test Surcharge Credits	1,031,545	
AFUDC	228,743	
Income Tax Rate	325,073	
Incentive Compensation	583,517	
Labor Adjustment for one time payment	336,324	
Main Break	41,026	
Lobbying expense adjustment	66,561	
Lobbying Salary	19,225	
Net Income Adjustments - After Tax	<u>2,632,014</u>	
Adjusted Net Income	\$ 12,728,496	

Calculation of Imputed Equity

Rate Base	\$ 210,267,107		TAWC Monthly Report December 2020 (Average)
Less: Long Term Debt	86,673,621	41.22%	TAWC Monthly Report December 2020 (Average)
Short Term Debt	<u>27,039,584</u>	12.86%	
Imputed Equity	\$ 96,553,902	45.92%	

Return on Equity	13.18%
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Determination of Short Term Debt

December	\$ 11,989,757	Montly TN Statements Reports
January	13,129,269	"
February	16,967,797	"
March	18,579,372	"
April	14,956,719	"
May	15,774,265	"
June	30,556,946	"
July	33,050,985	"
August	33,572,569	"
September	38,656,562	"
October	39,513,505	"
November	39,898,564	"
December	44,868,279	"
Thirteen Month Average	\$ 27,039,584	

Tax Factor Calculation

Tennessee Excise Tax Rate	6.50%
Residual Subject to Federal Taxes	93.50%
Federal Statutory Rate	21.00%
Effective Federal Rate	19.64%
Effective Composite Rate	26.14%