

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

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN)	
WATER COMPANY REGARDING)	
CHANGES TO THE QUALIFIED)	
INFRASTRUCTURE INVESTMENT)	
PROGRAM RIDER, THE ECONOMIC)	Docket No. 22-00021
DEVELOPMENT INVESTMENT RIDER,)	
AND THE SAFETY AND)	
ENVIRONMENTAL COMPLIANCE RIDER)	
AND IN SUPPORT OF THE CALCULATION)	
OF THE 2022 CAPITAL RECOVERY)	
RIDERS RECONCILIATION)	

**CONSUMER ADVOCATE’S FIRST SET OF DISCOVERY REQUESTS
TO TENNESSEE-AMERICAN WATER COMPANY**

To: Tennessee American Water Company
C/O Melvin J. Malone
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
Melvin.Malone@butlersnow.com

Tricia Sinopole
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
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This First 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 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 Karen H. Stachowski on or before Tuesday, April 26, 2022, 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.

(h) “Including” shall be construed to mean including but not limited to.

FIRST DISCOVERY REQUESTS

1-1. Please provide the following information for calendar year 2021:

- a. Capital Expenditures recorded to account 107 at December 31, 2021 which are not eligible for Capital Rider Recovery;
- b. Capital Expenditures recorded to account 101 during 2021 which are not eligible for Capital Rider Recovery; and

- c. Depreciation Expense associated with plant in service in 2021 that is not eligible for Capital Rider recovery.

RESPONSE:

- 1-2. Refer to the testimony of TAWC witness Mr. Stout on pages 3 and 4. With respect to the development of the budget, provide a comprehensive explanation of the upper bounds of the capital budget developed by the TAWC Engineering Department. Who sets the upper limit of the TAWC capital budget and how are such amounts determined? At what point in the process is this upper bound determined and how is this communicated to the TAWC Engineering Department?

RESPONSE:

- 1-3. Refer to the testimony of TAWC witness Sinople on page 3, lines 9-11. Identify and quantify the specific corrections referenced within this testimony passage.

RESPONSE:

- 1-4. Refer to the <Petitioner's Exhibit - Capital Riders Reconciliation – TNS> file, “WKP 2021 ADIT Summary” tab and specifically cells I67, Q67 and Y67. Confirm the accuracy of the calculations within these respective cells. If confirmed as accurate, respond to the following:

- a. Provide a comprehensive explanation supporting the calculation used, rather than simply taking the end of the prior period ADIT balance plus the sum of the proration ADIT calculations for 2021 as summed on row 64. Within this response, explain why simply adding the prior end of periods ADIT balance to the proration summation does not yield an accurate result. Why is the method used more accurate than the described method?

RESPONSE:

- 1-5. Refer to the attached file labeled <ADIT comparison>. This information compares the ADIT detail support for 2019 and 2020 as contained in the 2020 and 2021 reconciliation.

As referenced in the file, the 2019 and 2020 ADIT balances have been adjusted downward in the 2021 filing compared with the 2020 filing. With respect to these changes respond to the following:

- a. Provide a comprehensive explanation supporting why the modifications to the ADIT balances were made; and
- b. Provide the underlying calculations modifying the 2019 and 2020 ADIT balances associated with the Company's Capital Riders.

RESPONSE:

- 1-6.** Provide the support for the Repairs percentages of 37.51% (Transmission and Distribution) and 19.6% (non-Transmission and Distribution) as reflected on <Petitioner's Exhibit - Capital Riders Reconciliation – TNS> file , in tab “WKP 2021 Tax Depr Balances”, cells AX 9 and 10.

RESPONSE:

- 1-7.** Provide a schedule of book/tax timing differences for the month of December 2021 that produces the ADIT balance of \$50,483,606 as reflected within the Earnings Test calculation.

RESPONSE:

- 1-8.** The PSC 3.06 Report for December 2021 reflects a 2021 Income Tax Expense of \$1,515,802. Provide the underlying calculation supporting this 2021 calendar year expense.

RESPONSE:

- 1-9.** Provide a calculation of the Company's actual weighted cost of debt for calendar year 2021.

RESPONSE:

1-10. Provide the following regarding the line item deduction to Rate Base identified as ‘Taxes on CIAC,-Def, FIT and SIT’ contained within the < Petitioner's Exhibit - Earnings Test – TNS> spreadsheet:

- a. Account numbers, account titles and monthly balances for each item summing to the monthly balance total; and
- b. Provide the distinction between these balances and the balance of Accumulated Deferred Income Taxes on line 16.

RESPONSE:

1-11. Regarding the inclusion of the Acquisition Premium contained in the Earnings Test Rate Base, provide the following:

- a. The rationale for inclusion of the Acquisition Premium as an additive balance to Rate Base; and
- b. The date and amount(s) of each transaction giving rise to the claimed Acquisition Premium balance(s).

RESPONSE:

1-12. Regarding the positive values identified as Accounts payable applicable to CWIP included as an additive amount to Rate Base within the Earnings Test calculation, provide a comprehensive explanation and support for inclusion of these positive values.

RESPONSE:

1-13. With respect to any accruals recorded in December 2021 reflected as an expense on the books of the Company, provide the following:

- a. Describe the reason for the accrual as well as the amount of the December 2021 accrual; and
- b. Provide supporting workpapers for the amount recorded.

RESPONSE:

1-14. Regarding incentive compensation (after tax) included as an addition to Operating Income within the Earnings Test file, respond to the following:

- a. Provide the underlying calculations and workpapers supporting the monthly amounts reflected within the file;
- b. Indicate the portion of incentive compensation costs for i) TAWC, and ii) costs allocated to TAWC further split by type of incentive; and
- c. If not included within the reconciling adjustment in the Earnings Test file, identify the monthly incentive compensation costs incurred and allocated to TAWC from each affiliate, further split between i) Short-Term incentive compensation, and ii) Long-Term incentive compensation.

RESPONSE:

1-15. Provide the supporting calculations underlying the 2021 capitalization ratio used by the Company to apply employee benefit costs to construction projects.

RESPONSE:

1-16. Refer to <Petitioners Exhibit – Capital Riders Reconciliation – TNS>, and the “SAP” tab. Provide an explanation of the reconciliation data contained in this tab and define each of the codes referenced in this spreadsheet.

RESPONSE:

1-17. Regarding the <Petitioners Exhibit – Earnings – TNS> test file, respond to the following:

- a. Identify any corporate plant allocated to TAWC and included in Plant-in-Service. If such plant has been allocated to TAWC, identify the type of plant and how it was allocated to TAWC; and
- b. Identify any corporate Accumulated Deferred Income Tax (“ADIT”) balances that have been allocated or assigned to TAWC and that are reflected within the ADIT balance within the earnings test.

RESPONSE:

1-18. Regarding corporate costs that are allocated to the Company and reflected in the earnings test calculation, identify the 2021 charges by month, split into the following categories:

- a. Direct Charged;
- b. Monthly allocated charges further split by cost allocation methodology;
- c. For each cost allocation method utilized, provide the underlying support for the cost allocation percentage used to assign costs to the Company;
- d. Amount of Supplemental Executive Retirement Plan costs allocated to the Company and included in 2021 operating expenses within the earnings test calculation;
- e. Amount of pension expense allocated to the Company and included in 2021 operating expenses within the earnings test calculation. Identify the allocation percentage used to assign such costs to the Company along with support for the allocation percentage used; and
- f. Identify the amount of pension contribution made by American Water Company in 2021.

RESPONSE:

1-19. Refer to the <TAW_2021_CapRider_Cost_Detail> file and the “Exhibit Work Order Summary” tab. Using the format as set forth in the worksheet in the “Work Order Summary” tab, identify the amount of retirements for each of the identified work orders. Further, indicate the date in which the retirements associated with the new work orders were recorded in the plant records of the Company.

RESPONSE:

1-20. Refer to the Company’s Response to DR No. 1-6 in TPUC Docket NO. 20-00028 regarding the September 2019 Chattanooga main break. In response to subpart (c) of the request the Company identified Workorder “R26-02C1.19-P-0002” was for the “. . . work performed at the actual break site at the Citico Plant.” Provide a listing of Workorder numbers used in response to the 2019 Chattanooga main break, including plant installed to make any necessary replacements associated with the main break.

RESPONSE:

1-21. Refer to the <Petitioner's Exhibit – Capital Riders Reconciliation – TNS> file and specifically line 20 of the “Exhibit Reconciliation” tab and respond to the following:

- a. Provide the underlying supporting calculation for these credits;
- b. Indicate whether previously capitalized incentive compensation costs recorded prior to 2021 have been removed from the proposed Capital Rider rate base;
- c. If such costs have been removed from the prior rate base, identify how and where such amounts have been removed;
- d. If previously capitalized incentive compensation costs have not been removed from the proposed rate base in this proceeding, identify the amount of such capitalized costs remaining in rate base by year, further identified by type of capitalized incentive;
- e. Identify the amount of incentive compensation capitalized into rate base during the review period; and
- f. Has the company removed and/or identified any pension costs capitalized into rate base during the review period?

RESPONSE:

RESPECTFULLY SUBMITTED,



VANCE L. BROEMEL (BPR No. 011421)

Senior Assistant Attorney General

KAREN H. STACHOWSKI (BPR No. 019607)

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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,
with a courtesy copy by electronic mail upon:

Melvin J. Malone
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Melvin.Malone@butlersnow.com

Tricia Sinopole
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2223 Duke Street
Alexandria, VA 22314
Tricia.Sinopole@amwater.com

This the 13th day of April 2022.



VANCE L. BROEMEL

Senior Assistant Attorney General

QUIP						
Type	Per 2020	Per 2021	Difference	Per 2020 Filing	Per 2021	Difference 2021
	Filing	Filing	2021 vs. 2020		Filing	vs. 2020
	2019	2020			2020	
MACRS	\$1,277,466	\$1,330,417	\$52,951	\$1,721,481	\$1,826,701	\$105,220
Book	(1,075,715)	(1,075,715)	\$0	(1,515,622)	(1,515,622)	\$0
Repairs	4,885,551	2,237,912	(\$2,647,639)	4,144,390	4,178,683	\$34,293
Bonus						
Total	\$5,087,302	\$2,492,614	(\$2,594,688)	\$4,350,249	\$4,489,762	\$139,513
State Tax Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
State ADIT	\$330,675	\$162,020	(\$168,655)	\$282,766	\$291,835	\$9,068
Federal Tax Depreciation						
Type						
MACRS	\$892,722	\$945,674	\$52,952	\$1,345,256	\$1,450,475	\$105,219
Book	(1,075,715)	(1,075,715)	\$0	(1,515,622)	(1,515,622)	\$0
Repairs	4,885,551	2,237,912	(\$2,647,639)	4,144,390	4,178,683	\$34,293
Bonus	0	0	\$0	0	0	\$0
CIAC	-24547.13	(24,547)	\$0	\$(28,668)	(28,668)	\$0
	\$4,678,011	\$2,083,324	(\$2,594,687)	\$3,945,356	\$4,084,868	\$139,512
Federal Tax Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
Gross Federal ADIT	\$982,382	\$437,498	(\$544,884)	\$828,525	\$857,822	\$29,298
Minus State @ Federal Rate	(69,442)	(34,024)	35,418	(59,381)	(61,285)	(1,904)
Federal ADIT	\$912,940	\$403,474	(\$509,466)	\$769,144	\$796,537	\$27,394
Total ADIT	\$1,243,615	\$565,494	(\$678,121)	\$1,051,910	\$1,088,372	\$36,462
Cumulative ADIT	8,267,902	\$7,589,781	(\$678,121)	\$9,319,812	\$ 8,678,153	(\$641,659)
NOLC	(813,095)	(799,632)	\$13,463	(271,235)	(260,011)	\$11,224
Net ADIT	7,454,807	\$6,790,149	(\$664,658)	9,048,577	8,418,142	(\$630,435)

EDI						
Type	Per 2020	Per 2021	Difference	Per 2020 Filing	Per 2021	Difference 2021
	Filing	Filing	2021 vs. 2020		Filing	vs. 2020
	2019	2020			2020	
MACRS	\$86,463	\$89,289	\$2,826	\$190,721	\$355,438	\$164,717
Book	(27,079)	(27,079)	\$0	(45,665)	(45,665)	\$0
Repairs	0	0	\$0	0	1,610,291	\$1,610,291
Bonus						
Total	\$59,384	\$62,210	\$2,826	\$145,056	\$1,920,064	\$1,775,008
State Tax Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
State ADIT	\$3,860	\$4,044	\$184	\$9,429	\$124,804	\$115,376
Federal Tax Depreciation						
Type						
MACRS	\$60,718	\$63,544	\$2,826	\$165,749	\$330,466	\$164,717
Book	(27,079)	(27,079)	\$0	(45,665)	(45,665)	\$0
Repairs	0	0	\$0	0	1,610,291	\$1,610,291
Bonus	0	0	\$0	0	0	\$0
CIAC	(89,112)	\$(89,112)	\$0	(117,138)	(117,138)	\$0
	(\$55,473)	(\$52,647)	\$2,826	\$2,946	\$1,777,954	\$1,775,008
Federal Tax Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
Gross Federal ADIT	(\$11,649)	(\$11,056)	\$593	\$619	\$373,370	\$372,752
Minus State @ Federal Rate	(811)	(849)	(39)	(1,980)	(26,209)	(24,229)
Federal ADIT	(\$12,460)	(\$11,905)	\$554	\$(1,361)	\$347,161	\$348,523
Total ADIT	(\$8,600)	(\$7,861)	\$738	\$8,068	\$471,965	\$463,899
Cumulative ADIT	\$215,159	\$ 216,360	\$1,201	\$223,227	\$471,965	\$248,738
NOLC	(21,160)	(22,795)	\$(1,635)	(6,497)	(39,634)	(\$33,137)
Net ADIT	\$193,999	193,565	(\$434)	\$216,730	\$432,331	\$215,601

SEC						
Type	Per 2020	Per 2021	Difference	Per 2020 Filing	Per 2021	Difference 2021
	Filing	Filing	2021 vs. 2020		Filing	vs. 2020
	2019	2020			2020	
MACRS	\$993,015	\$1,003,760	\$10,745	\$1,105,214	\$1,130,042	\$24,828
Book	(791,792)	(791,792)	\$0	(1,054,961)	(1,054,961)	\$0
Repairs	1,926,746	1,066,139	(\$860,607)	316,624	217,981	(\$98,643)
Bonus						
Total	\$2,127,969	\$1,278,107	(\$849,862)	\$366,877	\$293,062	(\$73,815)
State Tax Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
State ADIT	\$83,077	\$83,077	(\$55,241)	\$23,847	\$19,049	(\$4,798)
Federal Tax Depreciation						
Type						
MACRS	\$632,470	\$643,212	\$10,742	\$795,333	\$820,160	\$24,827
Book	(791,792)	(791,792)	\$0	(1,054,961)	(1,054,961)	\$0
Repairs	1,066,139	1,066,139	(\$860,607)	316,624	217,981	(\$98,643)
Bonus	0	0	\$0	0	0	\$0
CIAC	0	0	\$0	0	0	\$0
	\$917,559	\$917,559	(\$849,865)	\$56,996	(\$16,820)	(\$73,816)
Federal Tax Rate	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
Gross Federal ADIT	\$192,687	\$178,472	(\$17,215)	\$11,969	(\$3,532)	(\$15,501)
Minus State @ Federal Rate	(17,446)	(11,601)	(5,845)	(5,008)	(4,000)	1,008
Federal ADIT	\$175,241	\$166,871	(\$8,370)	\$6,961	(\$7,532)	(\$14,493)
Total ADIT	\$258,318	\$222,112	(\$36,206)	\$30,808	\$11,517	(\$19,291)
Cumulative ADIT	\$5,030,534	\$4,807,960	(\$222,574)	\$ 5,061,342	\$4,819,477	(\$241,865)
NOLC	(6494,721)	(506,549)	(\$5,988,172)	(147,301)	(\$144,399)	\$2,902
Net ADIT	\$4,385,813	\$4,301,411	(\$84,402)	\$4,914,041	\$4,675,078	(\$238,963)