

May 3, 2022

VIA ELECTRONIC FILING

Electronically Filed in TPUC Docket Room on May 3, 2022 at 4:44 p.m.

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: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2022 Capital Recovery Riders Reconciliation, Docket No. 22-00021*

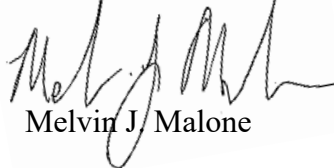
Dear Chairman Hill:

Attached for filing please find *Tennessee American Water Company's Response to DR 1-21 in the First Discovery Requests of the Consumer Advocate* in the above-captioned matter.

As required, one (1) hard copy of this filing will be mailed to your office. 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: Tricia Sinopole, TAWC
Karen H. Stachowski, Consumer Advocate Unit
Vance Broemel, Consumer Advocate Unit

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)	

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

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.

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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. 22-00021
FIRST DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE AND PROTECTION DIVISION**

Responsible Witness: Tricia Sinopole

Question:

- 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:

- a. Please see TAW_R_CAPDDR1_021_042622_Attachment 1.xlsx.
- b. Capitalized incentive compensation costs from 2013 to 2016 have been removed from the revenue requirement as reflected on line 20 of the “Exhibit Reconciliation” and shown in the attachment to Part A. Inadvertently, the service company piece for 2017 to 2021 had not been removed from the proposed Capital Rider rate base. Please see attachment TAW_R_CAPDDR1_021_050322_Attachment 2.xlsx for TAWC’s proposed adjustment to the revenue requirement for these years. For 2017 and 2018, TAWC removed 50 percent of the capitalized portion of service company incentive compensation, as authorized in those years. From 2019 to 2021, TAWC has removed 100 percent of the capitalized portion of

service company as ordered in Docket No. 2018-00022, where TAWC was ordered to exclude 100 percent of incentive compensation for service company in the earnings test and subsequently any capitalized portion in the capital riders.

- c. Please see the attachment to Part A for the amounts removed for 2013 to 2016.
- d. Please see the table below for the capitalized incentive compensation costs from 2017-2021. Note, the amounts provided reflect total capitalized incentive compensation for service company for those years. Please see TAW_R_CAPDDR1_021_050322_Attachment 2.xlsx for additional detail.

Year	Annual Performance Plan	Long Term Performance Plan	Actual Amount of Performance Compensation Capitalized
2021	\$102,150	\$0	\$102,150
2020	70,763	2,895	73,657
2019	23,982	0	23,982
2018	16,128	158	16,285
2017	10,993	0	10,993
Total	<u>\$224,016</u>	<u>\$3,052</u>	<u>\$227,068</u>

- e. Please refer to the table provided in subpart D. The review period is for the 2021 test year, which had a total of \$102,150 of incentive compensation capitalized in 2021.
- f. No, the Company has not identified or removed any capitalized portion of pensions costs in this proceeding.

Tennessee American Water Company
Docket No. 22-00021
Response to CAPD Data Request 1-021, Subpart A
Reduction for Capitalized Performance Compensation

Year	Annual Performance Plan	Long Term Performance Plan	Total	Actual Amount of Performance Compensation Capitalized
2016	\$464,044	\$57,709	\$521,753	\$60,844
2015	267,852	38,811	306,663	46,737
2014	147,822	30,535	178,357	38,826
2013	143,533	34,638	178,171	67,630
Total	\$1,023,251	\$161,693	\$1,184,944	\$214,037

Year	50% of Annual Performance Plan	Percentage of Capitalized Wages	50% of APP multiplied by Labor Capitalization Rate	Actual Amount of Performance Compensation Capitalized	Adjustment to Capital for Performance Compensation	Revenue Reduction Calculation for 2013	Revenue Reduction Calculation for 2014 (1)	Revenue Reduction Calculation for 2015 (1)	Revenue Reduction Calculation for 2016 (1)	Revenue Reduction Calculation for 2017 (1)	Revenue Reduction Calculation for 2018 (1)	Revenue Reduction Calculation for 2019 (1)	Revenue Reduction Calculation for 2020 (2)	Revenue Reduction Calculation for 2021
2016	\$232,022	29.33%	\$68,052	\$60,844	\$0				\$0	\$0	\$0	\$0	\$0	\$0
2015	133,926	30.08%	40,285	46,737	6,452			6,452	6,452	6,452	6,452	6,452	6,452	6,452
2014	73,911	29.03%	21,456	38,826	17,370		17,370	17,370	17,370	17,370	17,370	17,370	17,370	17,370
2013	71,767	21.63%	15,523	67,630	52,107	52,107	52,107	52,107	52,107	52,107	52,107	52,107	52,107	52,107
Total	\$511,626		\$145,316	\$214,037	\$75,929	\$52,107	\$69,477	\$75,929	\$75,929	\$75,929	\$75,929	\$75,929	\$75,929	\$75,929

Pre-Tax Authorized Rate of Return:	9.454%	9.454%	9.454%	9.454%	9.454%	8.451%	8.451%	8.451%	8.451%
Pre-Tax Reduction on Capitalized AIP:	4,926.38	6,568.57	7,178.58	7,178.58	7,178.58	6,417.07	6,417.07	6,417.07	6,417.07

Depreciation Expense Reduction:	2.22%	1,154.17	1,538.91	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	1,681.83	composite rate based on 2016 actual depr expense over actual additions
Property and Franchise Taxes Reduction:		704.34	939.13	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	1,026.34	same as 2016 recon filing
Revenue Reduction:		6,784.89	9,046.61	9,886.74	9,886.74	9,886.74	9,886.74	9,125.23	9,125.23	9,125.23	9,125.23	9,125.23	9,125.23	
Revenue Taxes		3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	3.191%	
Total Revenues with Revenue Taxes Reduction		\$56,417.26	\$7,008.54	\$9,344.81	\$10,212.63	\$10,212.63	\$10,212.63	\$10,212.63	\$9,426.02	\$9,426.02	\$9,426.02	\$9,426.02	\$9,426.02	
QIIP	48.36%	\$4,558	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	% from total actual revenue requirement filed for 2016 reconciliation
EDI	1.78%	168	0	0	0	0	0	0	0	0	0	0	0	% from total actual revenue requirement filed for 2016 reconciliation
SEC	49.86%	4,700	0	0	0	0	0	0	0	0	0	0	0	% from total actual revenue requirement filed for 2016 reconciliation
Total Revenues with Revenue Taxes Reduction in this Filing		\$9,426	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

- (1) These amounts from 2014-2019 have been zeroed out to reflect the revenue reduction being included in the 2019 reconciliation rate from docket #20-00028.
(2) These amounts from 2020 have been zeroed out to reflect the revenue reduction being included in the 2020 Capital Recovery Riders from Docket No. 19-00105

Tennessee American Water Company
Qualified Infrastructure Improvement Program Rider (QIIP)
Economic Development Investment Rider (EDI)
Safety and Environmental Compliance Rider (SEC)
Reduction for Capitalized Performance Compensation

Service Company Capitalized									
Year	Annual Performance Plan	Long Term Performance Plan	Total	Actual Amount of Performance Compensation Capitalized	Year	Annual Performance Plan	Long Term Performance Plan	Total	Actual Amount of Performance Compensation Capitalized
2021	\$513,949	\$46,027	\$559,976	\$102,150	2021	\$102,150	\$0	\$102,150	\$102,150
2020	470,816	4,819	\$475,635	73,657	2020	70,763	2,895	73,657	73,657
2019	304,244	(51)	\$304,194	23,982	2019	23,982	0	23,982	23,982
2018	306,660	65,794	\$372,454	16,285	2018	16,128	158	16,285	16,285
2017	369,360	49,280	\$418,640	10,993	2017	10,993	0	10,993	10,993
Total	\$1,965,030	\$165,869	\$2,130,899	\$227,068	Total	\$224,016	\$3,052	\$227,068	\$227,068

Year	Allowed Portion of Annual Performance Plan (50% through 2018)	Percentage of Capitalized Wages	Allowed Portion of APP multiplied by Labor Capitalization Rate	Actual Amount of Performance Compensation Capitalized	Adjustment to Capital for Performance Compensation	Revenue Reduction Calculation for 2017	Revenue Reduction Calculation for 2018	Revenue Reduction Calculation for 2019	Revenue Reduction Calculation for 2020	Revenue Reduction Calculation for 2021	Notes
2021	\$0	36.57%	\$0	\$102,150	\$102,150					\$102,150	
2020	0	31.10%	0	73,657	73,657				73,657	73,657	
2019	0	33.23%	0	23,982	23,982			23,982	23,982	23,982	
2018	153,330	33.48%	51,331	16,285	0		0	0	0	0	
2017	184,680	34.20%	63,169	10,993	0	0	0	0	0	0	
Total	\$338,010		\$114,500	\$227,068	\$199,790	\$0	\$0	\$23,982	\$97,639	\$199,790	

Pre-Tax Authorized Rate of Return:		9.454%	8.451%	8.451%	8.451%	8.451%	
Pre-Tax Reduction on Capitalized AIP:		0.00	0.00	2,026.86	8,251.95	16,885.15	
Depreciation Expense Reduction:	2.62%	0.00	0.00	628.34	2,558.15	5,234.50	composite rate based on 2021 actual Capital Riders depr expense over actual Capital Riders additions
Property and Franchise Taxes Reduction:		0.00	0.00	324.02	1,319.18	2,699.30	per 2021 Capital Riders filing
Revenue Reduction:		0.00	0.00	2,979.22	12,129.28	24,818.95	
Revenue Taxes		3.191%	3.191%	3.191%	3.191%	3.191%	
Total Revenues with Revenue Taxes Reduction		\$41,243.53	\$0.00	\$0.00	\$3,077.42	\$12,529.08	\$25,637.03
QIIP	64.62%	\$26,651.57	\$0.00	\$0.00	\$1,988.63	\$8,096.29	\$16,566.65 % from total actual revenue requirement filed for 2021 reconciliation
EDI	5.29%	2,181.79	0.00	0.00	162.80	662.79	1,356.20 % from total actual revenue requirement filed for 2021 reconciliation
SEC	30.09%	12,410.18	0.00	0.00	926.00	3,770.00	7,714.18 % from total actual revenue requirement filed for 2021 reconciliation
Total Revenues with Revenue Taxes Reduction in this Filing		\$41,243.54	\$0.00	\$0.00	\$3,077.43	\$12,529.08	\$25,637.03

STATE OF Tennessee)
)
COUNTY OF Hamilton)

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

Tricia Sinopole
Tricia Sinopole

Sworn to and subscribed before me
this 25 day of April, 2022.

Kathryn Robinson
Notary Public

My Commission Expires: 10/20/2024



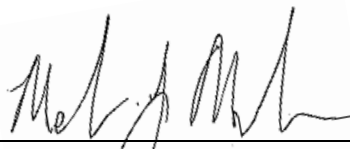
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
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Nashville, TN 37202-0207
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This the 3rd day of May 2022.



Melvin J. Malone