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May 17, 2022

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

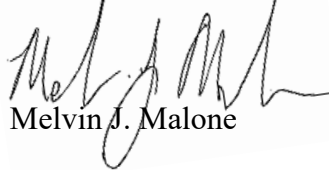
Dear Chairman Hill:

Attached for filing please find *Tennessee-American Water Company's Responses to Second 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

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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
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)	

**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. 22-00021
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE UNIT**

Responsible Witness: Tricia Sinopole

Question:

- 2-1. Refer to the Consumer Advocate's Collective Attachment 2-1.¹ These documents reflect the Company's initial claim for Working Capital as contained in the Exhibits sponsored by Ms. Linda Bridwell in TPUC Docket No. 12-00049, and two Exhibits referencing Working Capital as contained in schedules attached to the Stipulation and Agreement in this same docket. In these documents, Materials and Supplies are included within the definition of Working Capital. However, in the Company's Earnings Test Exhibit, Materials and Supplies are reflected as a separate line item, in addition to the Working Capital total from the 2012 rate case. Provide all available evidence in the Company's possession supporting the Company's conclusion that its Materials and Supplies balance is not included in the claimed \$3,409,884 Working Capital balance as contained in the Company's Earnings Test calculation.

Response:

Materials and Supplies is included as part of the \$3.4M Working Capital amount from Docket No. 12-00049, as such, there is no evidence/supporting documentation to provide to this request. Please note, the \$3.4M Working Capital was a settlement amount and the exact amount of Materials and Supplies included within that settled upon amount was not clearly defined. The Consumer Advocate's Collective Attachment 2-1 also does not provide the exact amount of Materials and Supplies included within the \$3.4M. The amount of Materials and Supplies included in the working capital calculation as provided in the Consumer Advocate's Collective Attachment 2-1 is less than TAWC's actual per books materials and supplies amount, and therefore it is reasonable and appropriate to include a separate line item to capture the full amount of materials and supplies in the Company's Earnings Test.

¹ *Direct Testimony of Linda C. Bridwell*, Exhibit RB-8-Working Capital-LCB, Schedule RB-8.1 and 8.2, TPUC Docket No. 12-00049 (June 6, 2012) and *Order Approving Settlement Agreement*, Exhibit A, Schedules 3-4, TPUC Docket No. 12-00049 (November 30, 2012).

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 22-00021
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE UNIT**

Responsible Witness: Tricia Sinopole

Question:

- 2-2.** Confirm that the Company's Operating Income has not been adjusted to remove Production costs associated with unaccounted for water in excess of 15% within its earnings test. If confirmed, provide all rationale for not making an adjustment to exclude such costs in excess of the 15% level within the earnings test calculation. If not confirmed, provide an explanation identifying where such costs have been removed from the Company's calculation.

Response:

The Company's operating income has not been adjusted to remove production costs associated with unaccounted for water in excess of 15% within its earnings test. The per books production cost expense is the actual cost to TAWC and therefore the full amount of the expenses should be included in the earnings test. Calculating the earnings test in this manner is consistent with the same methodology that TAWC has always employed and the Commission has long accepted.

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 22-00021
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE UNIT**

Responsible Witness: Tricia Sinopole

Question:

- 2-3.** Refer to the Company's Response to Consumer Advocate DR No. 1-17. Respond to the following:
- a. Is the Plant in Service amount of \$1,125,743, reflected in subpart (a) net of Accumulated Depreciation?
 - b. If not, has Accumulated Depreciation associated with corporate plant been included in the company's Accumulated Depreciation balance?
 - c. If the response in subpart (b) is yes, provide the amount of corporate Accumulated Depreciation reflected in the Company's balance of Accumulated Depreciation within the Earnings Test exhibit.
 - d. If the response in subpart (b) is no, what is the rationale for excluding Accumulated Depreciation associated with corporate plant within the Earnings Test calculation?
 - e. In the view of the Company, what is a reasonable estimate of the corporate Accumulated Depreciation balance associated with corporate allocated Plant in Service assigned to the Company and included within the earnings test calculation? Provide the rationale for this estimate.
 - f. Referring to the response to subpart (b), what is the rationale for excluding any portion of corporate ADIT associated with TAWC allocated corporate plant within the Earnings Test calculation?
 - g. In the view of the Company, what is a reasonable estimate of the corporate ADIT associated with corporate allocated Plant in Service assigned to the Company and included within the earnings test calculation? Provide the rationale for this estimate.

Response:

- a. No, the Plant in Service amount of \$1,125,743 is not net of Accumulated Depreciation.
- b. Yes.
- c. The Accumulated Depreciation calculated on the \$1,125,743 corporate allocated Plant in Service is \$20,601. See the table below.

Total ITS Equipment and Systems	\$1,125,743
Annual Depreciation Rate	<u>1.83%</u>
Accumulated Depreciation	<u><u>\$20,601</u></u>

- d. Not applicable.
- e. Please see the response to Subpart C.
- f. DR No 1-17 subpart b asked to identify any ADIT balance that was allocated or assigned to TAWC. The response was none were allocated because taxes are based on TAWC's stand-alone financial results. No additional taxes were allocated on top of that result. This is because taxes are calculated after book amounts are determined. The \$1,125,743 in allocated book plant in service discussed here was included as part of the TN stand-alone financial results and therefore was included in the ADIT calculation and did not need to be added again on top.
- g. Regarding the book allocated amounts discussed here, below is a reasonable estimate of the related ADIT:

Book Plant	1,125,743
Tax Depreciation (year 1)	22,515
Book Depreciaton	<u>20,601</u>
Book/Tax Difference	(1,914)
Tax Rate	<u>26.14%</u>
Deferred Tax Liability	(500) ADIT

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 22-00021
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE UNIT**

Responsible Witness: Tricia Sinopole

Question:

- 2-4.** Refer to the Company's Response to Consumer Advocate DR No. 1-7. Provide the 2021 monthly book/tax timing differences for each individual component comprising the Company's ADIT balance as reflected in the Company's Earnings Test Exhibit.

Response:

Please see attachment TAW_R_CAPDDR2_004_051722_Attachment.

		Powertax Provision											
		Gross Temporary Differences			Deferred Tax & Regulatory Assets and Liabilities								
		Federal and State	State TN	State Only GA	Federal	State TN	State GA	FBOS TN	FBOS GA	Total			
					21.00%	6.29%	0.33%	-1.32%	-0.07%	26.23%			
					21.00%	6.50%		-1.37%		26.14%	1.353821	0.3538212	
M ID													
Tax Rates with Apportionment/GA													
Tax Rates at 100% Tennessee													
Property Temporary Differences													
Federal Method Life					(20,540,712)					(20,540,712)	21.00%		
Taxable CIAC		3,087,349	(97,812,913)	34,248	648,343	202,904		(42,610)		808,637	25.90%		
Cost of Removal		(16,218,402)			(3,405,864)	(1,054,196)		221,361		(4,238,679)	26.14%		
Tax Repairs		(5,645,493)			(10,845,654)	(3,356,957)		704,961		(13,497,550)	26.14%		
Asset Acquisition Adjustments		(6,302,224)			(1,323,467)	(409,645)		86,025		(1,647,086)	26.14%		
Basis Adjustments (excluding Repairs)		4,426,188			929,500	287,702		(60,417)		1,156,784	26.14%		
TN - Method Life			(77,927,387)			(5,065,280)		1,063,709		(4,001,571)	5.14%		
Regulatory Assets and Liabilities & Tax Only Plant Adjustments													
AFUDC Equity RSG					693,164					693,164			
Federal Legacy RSG					2,073,099					2,073,099			
TCJA Unprotected RSG					(1,675,494)					(1,675,494)			
Cost of Removal					(590,977)			38,413		(552,564)			
Federal Method Life					(12,188,708)			561,185		(11,627,523)			
Taxable CIAC					335,760			(22,136)		313,624			
TN - Legacy RSG						88,356				88,356			
Adjustment to include apportionment and Georgia						306,480	(472,214)	(64,361)	99,165	(130,929)			
Req Assets/Liabilities and Other Plant Adjustments (not in Powertax)													
TCJA Unprotected - Plant O/S PT - Fed					114,634					114,634			
TCJA - Unprotected - Non Plant - Fed					127,726					127,726			
TCJA Protected NOL - Simulated ARAM					706,312					706,312			
Powertax Offset Temp Difference		4,688,461	909,251	(20,103,548)	984,577	351,983	(50,359)	(73,916)	10,575	1,222,859	26.08%	Book depreciation vs Powertax actuals	
CIAC WIP Taxable		244,191			51,280	15,355		798	(3,224)	64,041	26.23%		
Non Taxable CAC		2,086,169			438,095	131,178	6,815	(27,547)	(1,431)	547,110	26.23%		
Taxable CAC		3,859,529			810,501	242,896	12,609	(90,964)	(2,648)	1,012,184	26.23%		
CWIP AFUDC Debt		(24,851)			(5,219)	(1,563)		(81)	328	17	(6,517)	26.23%	
CWIP Tax Interest Capitalized		20,816			4,371	1,309		68	(275)	14	5,459	26.23%	
CWIP - Adjustment		25,126			5,276	1,580		82	(332)	(17)	6,589	26.23%	
Non Property Temporary Differences													
Bad Debt		572,051			120,131	35,970	1,869	(7,554)	(392)	150,024	26.23%		
Vacation Pay		(65,775)			(13,813)	(4,136)	(215)	899	45	(17,250)	26.23%		
Pavement Repairs		43,211			9,074	2,717	141	(571)	(30)	11,332	26.23%		
Miscellaneous Deferred Credits		803,175			168,867	50,503	2,624	(10,606)	(551)	210,637	26.23%		
Deferred Revenue		504			106	32	2	(7)	(0)	132	26.23%		
Amortization of Debt Discount		(186,881)			(39,245)	(11,751)	(611)	2,468	128	(49,011)	26.23%		
FAS 123 (r) Stock Options		(48,222)			(10,127)	(3,032)	(158)	637	33	(12,647)	26.23%		
FAS 123 (r) Restricted Stock Units		60,143			12,630	3,782	196	(794)	(41)	15,773	26.23%		
FAS 123 (r) ESPP		1,117			235	70	4	(15)	(1)	293	26.23%		
ESPP APIC		(1756)			(159)	(48)	(2)	10	1	(198)	26.23%		
Incentive		491,290			103,171	30,892	1,605	(6,487)	(337)	128,844	26.23%		
Pension		(417,626)			(87,701)	(26,260)	(1,364)	5,515	287	(109,525)	26.23%		
OPEB		(2,197,910)			(461,561)	(138,204)	(7,180)	29,023	1,508	(576,415)	26.23%		
Refund Rates Under Bond		73,873			15,513	4,645	241	(975)	(51)	19,374	26.23%		
Closing Cost Regulatory Asset		(9,000)			(1,890)	(566)	(29)	119	6	(2,360)	26.23%		
Charitable Contributions - NOL converted		-	157,313		33,036	-	-	-	-	33,036	21.00%		
481 Adjustment related to Incentives		50,600			10,626	3,182	165	(668)	(35)	13,270	26.23%		
Self-Insurance		(2,236)			(470)	(141)	(7)	30	2	(586)	26.23%		
481 Adjustment Self-Insurance		677,366			142,247	42,593	2,213	(8,944)	(465)	177,643	26.23%		
Non Income Taxes		-	(284,405)		(59,725)	-	-	-	-	(59,725)	21.00%		
Charitable Contributions (State)				103,068	38,034	6,481	124	(1,361)	(26)	5,218	5.06%	Blended CC	
Subtotal before FIN48 and credit adjustments		(55,908,218)	(97,940,004)	(76,880,820)	(20,065,514)	(42,712,610)	(8,261,378)	(502,665)	2,330,906	105,560	(49,040,187)		
FIN 48 Adjustments					478,492	100,214		(21,045)		557,661	FIN 48		
Other Tax Adjustments					72,644	(28,537)	800	5,993	(168)	50,732	Other Adjustments		
Investment Tax Credit - 4%										(21,684)	ITC		
Investment Tax Credit - 10%										(31,037)	ITC		
Total		(55,908,218)	(97,940,004)	(76,880,820)	(20,065,514)	(42,161,474)	(8,189,701)	(501,865)	2,315,854	105,392	(48,484,515)		

Tax & ITC	(48,484,515)
Per Financials	(48,484,515)
Difference	1

RECONCILIATION TO EARNING TEST CALCULATION AT DEC 2021	
Deferred Tax	(48,431,794) Excludes ITC
Earnings Test	(50,483,606)
Difference	2,051,813
Adjustments:	
CIAC G/U	(2,052,856)
Unreconciled	(1,043)
Note: The CIAC gross up of FIT/SIT accounts immaterial	

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 22-00021
SECOND DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE UNIT**

Responsible Witness: Tricia Sinopole

Question:

- 2-5.** Refer to the Company's Response to Consumer Advocate DR No. 1-7. Provide the 2021 monthly book/tax timing differences for each individual component comprising the Company's ADIT balance as reflected in the Company's Earnings Test Exhibit.

Response:

Please see response to 2-4.

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 16 day of May, 2022.

Kathryn Robinson
Notary Public

My Commission Expires: 10/20/2024



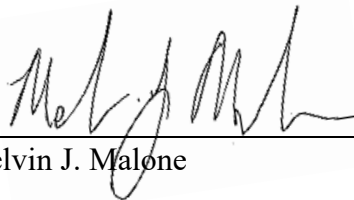
CERTIFICATE OF SERVICE

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
P.O. Box 20207
Nashville, TN 37202-0207
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Karen H. Stachowski, Esq.
Senior Assistant Attorney General
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This the 17th day of May 2022.



Melvin J. Malone