

**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 DEVELOPMENT)
INVESTMENT RIDER, AND THE)
SAFETY AND ENVIRONMENTAL)
COMPLIANCE RIDER AND IN)
SUPPORT OF THE CALCULATION OF)
THE 2023 CAPITAL RECOVERY)
RIDERS RECONCILIATION)

DOCKET NO. 23-00018

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

This First Set of Discovery Requests 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. & Regs. 1220-01-02-.11. The Consumer Advocate 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, Consumer Advocate Division, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, Tennessee 37243, c/o Victoria B. Glover, on or before Tuesday, April 25, 2023, 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. Provide the following information:

- a. Capital Expenditures recorded to Account 107 at December 31, 2022 which are not eligible for Capital Rider Recovery; and
- b. Capital Expenditures recorded to Account 101 during 2022 which are not eligible for Capital Rider Recovery.

RESPONSE:

1-2. Provide an electronic copy of the Company's monthly general ledger balances for the period December 31, 2021, through December 31, 2022.

RESPONSE:

1-3. Confirm that within the Earnings Test, the Company has included the monthly 2022 average Materials and Supplies Balance as a component of Rate Base, while also including other Rate Base components as adopted in the Company's last rate case from 2012. Provide

the rationale and justification for inclusion of certain Rate Base components from the 2012 rate case, while also updating other Rate Base components using 2022 balances.

RESPONSE:

- 1-4. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Capital Riders Reconciliation – RCL>, Tab “Exhibit Reconciliation.” Provide all underlying support for the APP revenue Reduction balances reflected on Line 20 of the Tab “Exhibit Reconciliation.”

RESPONSE:

- 1-5. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test – RCL>. Regarding incentive compensation included as an addition to Operating Income, respond to the following:
- a. Provide the underlying calculations and workpapers supporting the monthly amounts reflected within this 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:

- 1-6. Regarding overhead loadings applied to construction work in progress, provide the following information:
- a. Provide the calculation supporting the overhead rate(s) applied to construction projects in 2022. This support should include all components included in both the numerator and denominator within the ratio; and
 - b. Confirm that the loading rates applied to capital rider qualifying projects are identical to the loading rate applied to non-qualifying construction projects.

RESPONSE:

- 1-7. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Capital Riders Reconciliation – RCL>, Tab “WKP SAP Revenues.” Respond to the following:
- Explain why there are no QIIP revenues for rate code TNNRF rate number within account 24199700; and
 - Explain the distinction between the first two lines of this file with annual balances of (\$8,463.74) and \$550,227.17.

RESPONSE:

- 1-8. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Capital Riders Reconciliation – RCL>, Tab “WKP 2022 Actuals.” Respond to the following:
- Provide a description of each main break occurring in 2022, identifying the date and cause of the break;
 - For each main break, identify the (i) capital expenditures included in this application, incurred by month, and (ii) the Operating and Maintenance costs by cost type, account and month;
 - For each main break, identify the amount of main replaced in feet; and
 - For each main break, identify the age of the main that was replaced.

RESPONSE:

- 1-9. Provide the total cost of mains replaced in 2022 along with the number of feet replaced.

RESPONSE:

- 1-10. Differentiate the work process employed within a planned replacement of Main contrasted with that employed in an unplanned Main replacement.

RESPONSE:

- 1-11. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Capital Riders Reconciliation – RCL>, Tab “WKP 2022 Tax Depr Balances.” Reconcile the annual total with the applicable balances of capital referenced in the Tab “WKP 2022 In-Service Actual”.

RESPONSE:

- 1-12. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Capital Riders Reconciliation – RCL>, Tab “WKP 2022 In-Service Actual.” More specifically, refer to Lines 111 and 165 representing capital projects associated with District Reservoirs and Standpipes and Raw Water Intake Improvements – Whitwell, respectively. Provide documentation that the incremental capital reflected in the December 2022 column reflects projects that were actually in service by December 31, 2022.

RESPONSE:

- 1-13. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Capital Riders Reconciliation – RCL>, Tab “WKP 2022 Tax Depr Balances.” Provide support for the Repairs percentages of 43.13% and 23.31% for Transmission/Distribution and Non-Transmission/Distribution respectively found in cells BC 9 and 10.

RESPONSE:

- 1-14. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test – RCL>. Provide a monthly schedule of book/tax timing differences for the months of December 2021 through December, 2022 tied to the Accumulated Deferred Income Taxes balances reflected in <Petitioner’s Exhibit – Earnings Test>, Line 16.

RESPONSE:

- 1-15. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test>, and specifically footnote E. Provide an explanation indicating the nature of this line-item adjustment and provide documentation supporting the values contained in the mathematical formula comprising the monthly balances.

RESPONSE:

- 1-16. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test>, and specifically line 33, Allowance for Funds Used During Construction. Provide the underlying support for the monthly hard-coded numbers.

RESPONSE:

- 1-17. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test>, and specifically line 35 Income Tax Rate. Provide the underlying support for the monthly hard-coded numbers.

RESPONSE:

- 1-18. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner’s Exhibit – Earnings Test>, and specifically footnote A, “All Other” Rate Base components and respond to the following:
- a. Provide the rationale for inclusion of Accounts Payable applicable to CWIP as a Rate Base component;
 - b. Provide the support for the monthly Accounts Payable balances; and
 - c. Confirm that monthly balances that are negative indicate an over accrual of estimated accounts payable in a given month that exceeds that month’s accrual entry.

RESPONSE:

- 1-19. 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 quantifying the amount of the accrual; and
 - b. Provide supporting workpapers for the amount recorded.

RESPONSE:

1-20. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Earnings Test> file and respond to the following:

- a. Identify and describe any corporate plant allocated to TAWC and included in Plant-in-Service. Identify the method used to allocate costs 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:

1-21. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Earnings Test> file and respond to the following:

- a. Quantify the amount of allocated a) Pension and b) Other Post Employment Benefit ("OPEB") costs allocated to TAWC by month in 2022. Further split these allocated costs between those costs capitalized to construction projects and those charged to expense.
- b. Confirm the amounts identified in a) above reflect accrued Pension/OPEB costs and does not reflect cash contributions to pension/OPEB plans.
- c. Identify the amount of pension contribution made by American Water Company in 2022.

RESPONSE:

1-22. Regarding corporate costs that are allocated to the Company and reflected in the earnings test calculation, identify the 2022 charges by month, split into the following categories:

- a. Direct Charged;
- b. Monthly allocated charges further split by cost allocation methodology;
- c. Provide support for each cost allocation methodology used that results in an allocation of indirect costs to TAWC of \$100,000 or more in 2022;
- d. For each cost allocation method utilized, provide the underlying support for the cost allocation percentage used to assign costs to the Company;
- e. Amount of Supplemental Executive Retirement Plan costs allocated to the Company and included in 2022 operating expenses within the earnings test calculation; and
- f. Provide a copy of the American Water Works Cost Accounting Manual applicable to 2022 accounting transactions.

RESPONSE:

1-23. Refer to the Direct Testimony of Robert C. Lane, File <Petitioner's Exhibit – Earnings Test> file and identify the amount of capitalized incentive compensation costs incurred in 2022, further split between type of incentive and whether such incentive represents a direct TAWC cost, or an allocated cost.

RESPONSE:

RESPECTFULLY SUBMITTED,



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 sent via electronic mail, upon:

Robert C. Lane
Senior Manager, Rates and Regulatory
Tennessee-American Water Company
109 Wiehl Street
Chattanooga, TN 37403
Email: Bob.Lane@amwater.com

Melvin J. Malone
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This the 11th day of April, 2023.



Karen H. Stachowski
Senior Assistant Attorney General