

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

<b>IN RE:</b>	)	
	)	
<b>PETITION OF TENNESSEE-</b>	)	
<b>AMERICAN WATER COMPANY</b>	)	
<b>REGARDING CHANGES TO THE</b>	)	
<b>QUALIFIED INFRASTRUCTURE</b>	)	
<b>INVESTMENT PROGRAM RIDER,</b>	)	<b>DOCKET NO. 23-00018</b>
<b>THE ECONOMIC DEVELOPMENT</b>	)	
<b>INVESTMENT RIDER, AND THE</b>	)	
<b>SAFETY AND ENVIRONMENTAL</b>	)	
<b>COMPLIANCE RIDER AND IN</b>	)	
<b>SUPPORT OF THE CALCULATION OF</b>	)	
<b>THE 2023 CAPITAL RECOVERY</b>	)	
<b>RIDERS RECONCILIATION</b>	)	

---

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

---

This Second 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 Mason C. Rush, on or before 2:00 p.m. (central), May 9, 2023.

**PRELIMINARY MATTERS AND DEFINITIONS**

These Additional Discovery Requests incorporate by reference the same Preliminary Matters and Definitions as set forth in the *Consumer Advocate’s First Set of Discovery Requests*

to *Tennessee American Water* sent to the Company on April 11, 2023, and are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the Company which would make a prior response inaccurate, incomplete, or incorrect.

### **SECOND SET OF DISCOVERY REQUESTS**

2-1. Refer to the Company's Response to Consumer Advocate DR No. 1-6. The Consumer Advocate requested the components included in both the numerator and denominator supporting the calculation of the construction overhead loading rate. However, the response did not identify the types and amounts of overhead costs capitalized. Identify the individual components of overhead costs included in the numerator of the overhead loading rate. This response should identify all such overhead costs components and amounts by month used in the development of the monthly "calculated rates" supplied in response to Consumer Advocate DR No. 1-6.

#### **RESPONSE:**

2-2. Refer to the Company's response to Consumer Advocate DR No. 1-8b. The Consumer Advocate requested the O&M costs for each main break by cost type and month. However, the specific O&M costs by main break were not provided. If such information by main break is not available, indicate as such and provide a rational way to estimate the cost for each main break.

#### **RESPONSE:**

2-3. Refer to the Company's response to Consumer Advocate DR No. 1-8. Provide a comprehensive explanation discussing the correlation between the number and magnitude of unscheduled main breaks and the level of non-revenue unaccounted-for water identified in TPUC Docket No. 23-00007.

**RESPONSE:**

2-4. Refer to the Company's response to Consumer Advocate DR No. 1-8b, File <TAW\_R\_CADR1\_NUM008\_ATTACHMENT 2.xlsx>. This response identifies the O&M costs associated with main breaks in 2022 at \$395,894. Provide the underlying cost components of this amount split between (a) internal labor costs, (b) outside contractor costs, (c) equipment costs, and (d) any additional cost component. Indicate whether employee benefit costs and/or supervisory loading costs have been included within these totals, and if so, to what extent.

**RESPONSE:**

2-5. Refer to the Company's responses to Consumer Advocate DR No. 1-8a, c, and d, File <TAW\_R\_CADR1\_NUM008\_ATTACHMENT 1.xlsx>. Provide a definition for each of the Failure Types identified within this worksheet.

**RESPONSE:**

2-6. Refer to the Company's responses to Consumer Advocate DR No. 1-8a, c, and d, File <TAW\_R\_CADR1\_NUM008\_ATTACHMENT 1.xlsx>. These replacements are of very short length of pipe and many of the instances involve replacing pipe that is in excess of 50 years old. Provide responses to the following:

- a. Is it possible that these capital expenditures may be removed from service in the near future as part of an overall planned replacement project involving the removal and replacement of adjacent pipe that may be quite old and otherwise identified as problematic pipe?
- b. Confirm that when a large planned main replacement project is initiated, all pipe along the designated path is replaced, regardless of whether some small segments may have been recently installed as part of an unplanned main replacement resulting from a water main break.

**RESPONSE:**

2-7. Refer to the Company's responses to Consumer Advocate DR No. 1-8a, c, and d, File <TAW\_R\_CADR1\_NUM008\_ATTACHMENT 1.xlsx>. For each planned or scheduled main replacement project completed in 2022, identify the number of individual main segments replaced which were installed at any time between 2017 – 2021. For purposes of this response each line item identified as "Water Main Break Replace," as referenced in column C of Attachment 1, would be considered a main segment for those comparable replacements occurring in the 2017 – 2021 period and which may have been subsequently replaced in a planned main replacement program.

**RESPONSE:**

2-8. Are there occasions where a specific location would have both a Mains-Replaced/Restored capital expenditure and an Unscheduled Main replacement in the same year? If so, describe the scenario in which that could occur.

**RESPONSE:**

2-9. Refer to the Company's response to Consumer Advocate DR No. 1-8a, c, and d. <TAW\_R\_CADR1\_NUM008\_ATTACHMENT 1acd>. Excluding repairs/replacements designated as "Pinhole," identify the days between when the leak was first reported or discovered and the date/time in which the repair or replacement was completed. For purposes of this response, any time less than 24 hours would be reported as 0 days (or same day), anything less than 48 hours would be reported as 1 day, etc.

**RESPONSE:**

2-10. Refer to the Company's response to Consumer Advocate DR No. 1-20. Provide a comprehensive explanation justifying the inclusion of corporate plant but excluding any Accumulated DIT component of that plant for purposes of calculating the earnings test.

**RESPONSE:**

2-11. Refer to the Company's response to Consumer Advocate DR No. 1-22a-b, File <TAW\_R\_CADR1\_NUM022\_042523\_Attachment 1.xlsx>. The table below contains selected data from this Attachment 1.

Selected Data from CA 1-22, Attachment 1			
WBS	WBS Description	Month	Net Charge to TAWC
SE-0126-0066	CO 26 (TN) DIR CHG EXP	July	\$ 140,244
SE-1000-0003	CP-PLANT/REV/EMPLOY	March	\$ 149,214
SE-1000-0003	CP-PLANT/REV/EMPLOY	June	\$ 133,537
SE-1000-1004	CFO Cost Distribution	June	\$ 30,745
SE-3000-0001	CP-ALL REGULATED CO'S (W & WW)	February	\$ 144,740
SF-3700-1000	SED-KY, TN (W&WW) OPEX	March	\$ 162,707
SF-8000-1005	Corp Admin Allocation	March	\$ 34,473
SZ-9999	SERVCO OVERHEAD	April	\$ 136,119
SZ-9999	SERVCO OVERHEAD	December	\$ 132,667

For each line item identified above, provide the cost detail of the gross costs incurred in sufficient detail that the substance of the cost may be easily determined. For purposes of this response, the gross costs reflect the total cost subject to allocation which resulted in the TAWC allocated monthly costs identified above.

**RESPONSE:**

2-12. Refer to the Company's response to Consumer Advocate DR No. 1-2, File <TAW\_R\_CADR1\_NUM002\_042523\_Attachment 2.xlsx>. Provide answers to the following:

- a. Reconcile the amount of Accumulated Depreciation as shown in the Company's Response to the amount reported on the Company's 3.06 reports, as shown in the table below.

Ref	A/	B/		
Line	1	2		3
Item	Utility Plant Accumulated Depreciation/ Amortization	Accumulated Depreciation and Amortization		Difference (2-1)
JAN 2022	121,147,100	96,483,943		-24,663,157
FEB 2022	122,040,112	97,677,379		-24,362,733
MAR 2022	123,013,415	97,985,006		-25,028,409
APR 2022	124,472,934	97,697,493		-26,775,441
MAY 2022	125,381,725	98,288,002		-27,093,723
JUN 2022	126,183,253	98,701,296		-27,481,957
JUL 2022	126,928,476	99,298,031		-27,630,445
AUG 2022	127,754,142	99,988,733		-27,765,409
SEP 2022	125,564,675	100,283,592		-25,281,083
OCT 2022	126,498,921	101,020,909		-25,478,012
NOV 2022	127,424,467	101,694,164		-25,730,303
DEC 2022	128,159,775	102,753,954		-25,405,821
A/	TAW_R_CADR1_NUM002_042523_Attachment 2.xlsx			
B/	Petitioner's Exhibit - Earnings Test - TNS.xlsx, tab "PSC 3.06"			

- b. Reconcile the amount of Accumulated Deferred Income Taxes as shown in the Company's Response to the amount reported on the Company's 3.06 reports, as shown in the table below.

Ref	A/	B/		
Line	1	2		3
Item	Deferred Income Taxes	Accumulated Deferred Income Taxes		Difference (2-1)
JAN 2022	35,748,409	50,520,268		14,771,859
FEB 2022	36,057,946	50,730,193		14,672,247
MAR 2022	36,208,679	51,271,202		15,062,523
APR 2022	36,592,816	51,264,506		14,671,690
MAY 2022	36,936,609	51,391,003		14,454,394
JUN 2022	37,293,094	51,485,669		14,192,575
JUL 2022	37,857,565	51,662,113		13,804,548
AUG 2022	38,165,592	51,779,515		13,613,923
SEP 2022	38,335,515	51,066,573		12,731,058
OCT 2022	38,732,239	51,125,879		12,393,640
NOV 2022	38,743,739	51,146,130		12,402,391
DEC 2022	40,845,936	50,483,606		9,637,670
A/	TAW_R_CADR1_NUM002_042523_Attachment 2.xlsx			
B/	Petitioner's Exhibit - Earnings Test - TNS.xlsx, tab "PSC 3.06"			

- c. Reconcile the amount of Customer Advances for Construction as shown in the Company's Response to the amount reported on the Company's 3.06 reports, as shown in the table below.

Ref	A/	B/		
Line	1	2		3
Item	Customer Advances for Construction	Customer Advances for Construction		Difference (2-1)
JAN 2022	7,059,682	6,182,722		-876,960
FEB 2022	6,846,871	6,164,815		-682,056
MAR 2022	7,236,274	6,193,606		-1,042,668
APR 2022	7,261,949	6,323,937		-938,012
MAY 2022	7,617,601	8,529,837		912,236
JUN 2022	7,680,420	8,621,985		941,565
JUL 2022	7,734,018	8,651,178		917,160
AUG 2022	7,702,068	8,554,870		852,802
SEP 2022	7,978,226	8,245,405		267,179
OCT 2022	7,938,006	8,302,769		364,763
NOV 2022	8,095,920	8,141,766		45,846
DEC 2022	7,798,277	7,657,371		-140,906
A/	TAW_R_CADR1_NUM002_042523_Attachment 2.xlsx			
B/	Petitioner's Exhibit - Earnings Test - TNS.xlsx, tab "PSC 3.06"			

**RESPONSE:**

- 2-13. Refer to the Company's response to Consumer Advocate DR No. 1-22, File <TAW\_R\_CADR1\_NUM022\_042523\_Attachment 1.xlsx>. Provide the definition for each of the cost category designations identified below, along with an explanation of the types of costs included within the category.

WBS	WBS Description
SE-0126-0066	CO 26 (TN) DIR CHG EXP
SE-1000-0003	CP-PLANT/REV/EMPLOY
SE-1000-1004	CFO Cost Distribution
SE-3000-0001	CP-ALL REGULATED CO'S (W & WW)
SF-1000-1002	CSC Billing
SF-3700-1000	SED-KY, TN (W&WW) OPEX
SF-8000-0088	CSC CALL HANDLING
SZ-9999	SERVCO OVERHEAD

**RESPONSE:**

- 2-14. Provide a calculation and support for the employee loading rate applied to direct time recordings for (a) TAWC employees and (b) Service Company employees whose time is either direct charged or allocated to TAWC. This response should identify the amount and type of all benefit costs included within the calculation.

**RESPONSE:**

- 2-15. Did TAWC make any reclassification accounting entries whereby accounting entries made prior to January 1, 2022, were corrected or reclassified in 2022? If so, identify each journal entry resulting from the reclassification or correction of prior period data and provide a comprehensive explanation supporting the entry(ies).

**RESPONSE:**

- 2-16. Refer to the Company's response to Consumer Advocate DR No. 1-19, File <TAW\_R\_CADR1\_NUM019\_042523\_Attachment.xlsx>. Respond to the following:
- a. Provide the same type of accrual information for December 31, 2021;
  - b. Provide all supporting information for the legal accrual of \$52,962 referenced in this response;
  - c. Provide all supporting information for the Purchased Power accrual of \$187,220 referenced in this response; and
  - d. Confirm that accruals made in December 2021 were reversed in January 2022 and replaced with actual costs associated with the accrual items. If this is not how the TAWC accounting for accruals is accomplished, provide a comprehensive explanation underlying the accounting for annual accruals.

**RESPONSE:**

- 2-17. Refer to the Company's response to Consumer Advocate DR No. 1-22a-b, File <TAW\_R\_CADR1\_NUM022\_042523\_Attachment 1.xlsx>. Respond to the following:
- a. Define EBRG; and



- b. State whether EBRG is part of a response to questions or requests regarding Environmental, Social and Governance (“ESG”) issues or concerns.

**RESPONSE:**

2-18. Refer to the Company’s response to Consumer Advocate DR No. 1-22, File <TAW\_R\_CADR1\_NUM022\_042523\_Attachment 1.xlsx>, and specifically information extracted from that file identified in the table below:

SF-1000-0076	Women's EBRG
SF-1000-0077	Black/African American EBRG
SF-1000-0078	Disabilities EBRG
SF-1000-0079	LGBTQ+ EBRG

- a. Describe the types of costs incurred at the corporate level which were then allocated to TAWC as contained in this response. If any of these costs represent labor costs, provide the title and base compensation of the employee(s) charging their time to these cost centers;
- b. Identify the job title, base compensation for the employee(s) within the American Water Company organization responsible for overseeing, promoting and/or directing the Company’s ESG efforts;
- c. Identify the level of such employee(s) costs charged to TAWC for 2022, identified in part b above, and confirm that such costs are included in the Earnings Test computation;
- d. Provide a copy of the job description for the employee(s) identified above; and
- e. If any ESG costs are allocated to Tennessee, provide the same information as requested in items a-d above.

**RESPONSE:**

RESPECTFULLY SUBMITTED,

*Karen H Stachowski*

**KAREN H. STACHOWSKI** (BPR No. 019607)

Senior Assistant Attorney General

**VICTORIA B. GLOVER** (BPR No. 037954)

Assistant Attorney General

Office of the Tennessee Attorney General

Consumer Advocate Division

P.O. Box 20207

Nashville, Tennessee 37202-0207

Phone: (615) 741-2370

Fax: (615) 741-8151

Email: [Karen.Stachowski@ag.tn.gov](mailto:Karen.Stachowski@ag.tn.gov)

Email: [Victoria.Glover@ag.tn.gov](mailto:Victoria.Glover@ag.tn.gov)

**TPUC Docket No. 23-00018**

*CA's 2<sup>nd</sup> Set of Discovery Requests to TAWC*

### **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](mailto:Bob.Lane@amwater.com)

Melvin J. Malone  
Butler Snow LLP  
The Pinnacle at Symphony Place  
150 3rd Avenue South, Suite 1600  
Nashville, TN 37201  
Email: [Melvin.Malone@butlersnow.com](mailto:Melvin.Malone@butlersnow.com)

This the 2<sup>nd</sup> day of May, 2023.



---

Karen H. Stachowski  
Senior Assistant Attorney General