

TENNESSEE PUBLIC UTILITY COMMISSION



Andrew Jackson State Office Bldg.
502 Deaderick Street, 4th Floor
Nashville, TN 37243-0001

August 22, 2024

Electronically Filed in TPUC Docket
Room on August 22, 2024 at 3:08 p.m.

Melvin J. Malone
Butler Snow, LLP
150 3rd Avenue S, Suite 1600
Nashville, TN

Via email: Melvin.malone@butlersnow.com

In Re: *Petition of Tennessee-American Water Company to Modify Tariff, Change and Increase Charges, Fees, and Rates, and for Approval of a General Rate Increase.*

Dear Mr. Malone:

In order to assist the Commission in its review and analysis of the above-referenced docket, it is requested that responses be provided to the attached, *First Staff Data Request to Tennessee American Water Company, Docket No. 24-00032*.

Please provide all responses no later than 2:00 p.m. on Thursday, September 5, 2024. Responses may be submitted electronically at tpuc.docketroom@tn.gov with one hard copy mailed to the Docket Manager at the Tennessee Public Utility Commission, 502 Deaderick Street, 4th Floor, Nashville, Tennessee 37243.

Please contact me at David.foster@tn.gov or by phone at (615) 770-6884 should you have questions or need clarification of any requested item. Thanks for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "David Foster".

David Foster, Director
Utilities Division

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Docket File

**FIRST STAFF DATA REQUEST
TENNESSEE-AMERICAN WATER COMPANY
DOCKET NO. 24-00032**

1. **Ledger Reconciliation-CWIP.** Refer to file <2024 TAWC MFG Q011_Attachment.xlsx> and file <TAWC 2024 Rate Case-RB1 Rate Base Summary.xlsx>. The Company's balance sheet as of December 31, 2023, reported Construction Work In Progress (CWIP) of \$5.2 million. In the workbook RB-1 Summary, however, the Test Year per book value (Column H) does not include any CWIP. Please provide an explanation for why CWIP is not included in the test year per book value. If CWIP has been closed and rolled into the Utility Plant in Service, please provide supporting documents showing the posting date, amounts and related UPIS accounts.
2. **UPIS-Asset Retirements.** Refer to file <TAW_R_CADDR1_147_062524_Attachment.xlsx>. In Account 340315-Comp Software Spec Depr Rate, there are retirements of \$4,134,875 (Cell AR 531) and \$3,028,406 (Cell AI 531) for June 2023 and September 2023, respectively. Please specify the following details for each retirement: 1) name and function of the software program, 2) amount of loss associated with the retirement if any, 3) total costs of the program, 4) depreciation/amortization method, 5) estimated useful life, 6) years in service, 7) accumulated depreciation, and 8) reason of retirement.
3. **UPIS-Asset Addition.** Refer to file <TAW_R_CADDR1_147_062524_Attachment.xlsx>. In account 340300-Computer Software, there is an addition of \$1,619,785 (Cell AX451) in December 2023. Please specify the name and function of the software program associated with this investment. Additionally, is this part of the Enterprise Solution Projects totaling \$3.2M described on page 9 of Kevin Kruchinski's testimony? Please explain.
4. **UPIS-Asset Addition.** Refer to file <TAWC 2024 Rate Case-Capital & Depreciation Workpaper.xlsx> tab: RB2.1 In Service Activity Total, Line numbers 8 & 9 Account 333000-Services. Please provide a brief description of the services capitalized in this account, and identify any associated projects referenced in Kevin Kruchinski's testimony.

Line	District	District				Utility Plant		
Number	#	Name	Project Type	Project #	Project Title	Account	Account Description	
8	2602	Chattanooga	G	R26-02G1	Services and Laterals-New	333000	333000-Services	5,155,696
9	2602	Chattanooga	H	R26-02H1	Services and Laterals-Replaced	333000	333000-Services	1,197,774

5. **Ledger Reconciliation-UPIS.** Refer to file <TAWC 2024 Rate Case-Capital & Depreciation Workpaper.xlsx>, Tab "RB2 UPIS Balance" and file <2024 TAWC MFG Q010 Attachment.xlsx>, Tab "12.23", Trial Balance.
 - a) The UPIS-Other P/E-Intangible of \$1.45M is included as a part of UPIS balance in the Company's balance sheet as of December 31, 2023. In the Company's Capital &

Deprecation workpaper, tab “RB2 UPIS Balance,” however, the total UPIS balance does not include an account described as "intangible" nor does it include an intangible asset account "33910." If intangible assets of \$1.45M has been included in the File<TAWC 2024 Rate Case-Capital & Depreciation Workpaper.xlsx>, Tab "RB2 UPIS Balance," please provide the associated accounts, account descriptions, and amounts.

10133910 UPIS - Other P/E- Intangible	1,450,178
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- b) For intangible asset account 10133910, please identify the two largest intangible assets by original booked dollar amount. Include the following details in the description: type of intangible asset (e.g., goodwill, patent, etc.), original amount, amortization method, estimated useful life, duration held, and remaining net book/unamortized value.
6. **Ledger Reconciliation-Accumulated Depreciation.** Refer to file <2024 TAWC MFG Q011_Attachment.xlsx>. The Company’s balance sheet as of December 31, 2023, reported accumulated depreciation of \$133,769,104. In the workbook RB-1 Summary, however, the Test Year per book indicated the accumulated depreciation is \$112,144,198. The difference is \$21,654,906. Please explain the difference.
7. **Customer Advance Forecasting.** Refer to file <RB1 Rate Base Summary.xlsx> and file <RB-8 CAC Bal-DD.xlsx>. Customer Advance activities have not been forecasted for the service areas of Suck Creek, Sequatchie, and Jasper Highlands to determine the 13-month average amount for the attrition year. Please provide an explanation for the exclusion.
8. **Customer Advance.** Refer to file <TAW_R_CADDR1_163_062524_Attachment.xlsx>, Tab: Advance, Cell T30. The workpaper shows that the Customer Advance activities for Jasper Highlands totaled \$1,035,895 in March 2021. Please provide an explanation of these activities. Additionally, is there a balance remaining in the Customer Advance account for Jasper Highlands as of December 2023? If so, please explain why Jasper Highland Customer Advance was excluded from the test year.
9. **Customer Advance Forecast.** Refer to the Company’s Response to the Consumer Advocate’s First Data Request, file <TAW_R_CADDR1_162_062524_Attachment.xlsx> and file <TAW_R_CADDR1_163_062524_Attachment.xlsx>. The total Customer Advance increased from 2022 to 2023 and from test year 2023 to attrition year 2025. The forecasted monthly Customer Advance activity is **negative** \$41,667 (indicating an increase in Customer Advances) for 2024 and 2025, while the average monthly Customer Advance in the past two years, 2022 and 2023, has been **positive** \$245,598 and \$20,056, respectively. Please confirm that the signs used in front of the activities in the Excel worksheets CAD 1-163 and CAD 1-162 are accurate and consistent. Additionally, please explain the rationale behind forecasting a \$1 million increase (or a monthly average of \$41,667) in Customer Advance from 2024 to 2025.

10. **Deferred Income Tax.** Refer to file <TAWC 2024 Rate Case- Deferred Tax.xlsx>, tab: Proration. The Company used remaining days/365 method to prorate forecasted 2025 ADIT activities, resulting in the forecasted 2025 activities decreasing from \$2,977,464 to \$1,379,287. Please explain the rationale behind this proration.
11. **Deferred Income Tax.** Refer to file <TAWC 2024 Rate Case- Deferred Tax.xlsx>, tab: Book-TAX Diff. and file <TAW_R_CADDR2_011_073024_Attachment.xlsx>, tab: Reconciliation.

Please provide a comparison of the Book-TAX differences for fiscal years 2022 and 2023, as well as a deferred tax reconciliation for the same years. Use the same format as in the forecasted 2024 and 2025 deferred tax reconciliation. For your reference, the 2024 format is included below.

Federal				
<u>2024 Activity</u>				
	Tax	Book	Net	
Depreciation	(10,784,901)	12,742,377	1,957,476	
Gain/Loss	(3,488,104)	-	(3,488,104)	
Repairs	(10,042,577)	-	(10,042,577)	
Taxable CIAC	147,452	-	147,452	
Total Book/Tax Difference	(24,168,130)	12,742,377	(11,425,753)	(Deduction)

	2024	
	Federal	Tennessee
Net Book to Tax Difference	11,425,753	12,808,594
Tax Rate	21.00%	6.50%
FAS 109 Deferred Tax	2,399,408	832,559
Excess ADIT & Other FT	(237,105)	5,063
Exclude AFUDC FT	8,309	2,572
TN - Federal Benefit of State	(158,496)	
Total Tax	2,012,115	840,193
Deferreds Effective Rate	17.61%	6.56%

12. **Deferred Income Tax.** Provide the balance of protected Excess ADIT as of December 2023. Also, confirm whether the unprotected Excess ADIT is zero (fully amortized) as of the December 2023.

13. **UPIS Plant Retirements.** Refer to file <MFG Q051_Attachment.xlsx>, Tab “MFG 51-Attachment”, included with the Company’s filing. Specifically refer to retirements for year 2021, columns (E) and (K), row #'s 80-122 “Retirements of Normal Projects.” Please explain why there are number values with positive balances in the retirements data.
14. **UPIS Plant Retirements.** Below is a table showing staff’s calculation of the average annual UPIS retirements for 2020 through 2023 based on data provided by the Company in its Response to Consumer Advocate DR 1-147. The table also shows forecasted annual retirements for 2024 and 2025 presented in <Exhibit RB-2.4-UPIS-DD>. The average annual retirements for 2020 through 2023 is \$3,001,580. In light of this higher average, please explain the rationale for the Company’s forecast of annual retirements for 2024 of \$1,526,031 and annual retirements for 2025 of 1,523,489.

Year	Annual Retirements	Source
2020	(\$1,739,103)	CA DR1-147
2021	(\$712,976)	CA DR1-147
2022	(\$3,441,357)	CA DR1-147
2023	(\$6,112,882)	CA DR1-147
Average Annual Retirements 2020-2023 (\$3,001,580)		
2024	(\$1,526,031)	Exh.RB-2.4-UPIS-DD
2025	(\$1,523,489)	Exh.RB-2.4-UPIS-DD

15. **Capital Leases.** Per Company Exhibit EXP-8-Support Services-JW, adjustments have been made for capital lease-related depreciation and interest. What are the primary capital leases for which expenses are embedded into the Company’s forecasted Support Services charges in its attrition year?
16. **O&M Expense.** On Company Exhibit EXP-2-Purchased Power-DD, the Company includes a \$1,893,020 adjustment (increase) to its test period cost for “Removal of PCOP expense transfer.” Provide a thorough explanation for this proposed adjustment, including the justification for why it is included in the calculation of the attrition year forecast.