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August 27, 2024

VIA ELECTRONIC FILING

Hon. David Jones, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

Electronically Filed in TPUC Docket
Room on August 27, 2024 at 3:41 p.m.

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, TPUC Docket No. 24-00032*

Dear Chairman Jones:

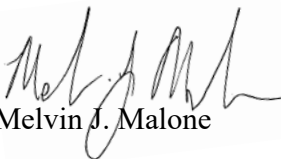
Attached for filing please find *Tennessee-American Water Company's Responses to Third Set of Discovery Requests of the Consumer Advocate* in the above-captioned matter.

Please note that Response Nos. 3-17 and 3-18, and Attachments to Response Nos. 6, 12 and 14 contain **CONFIDENTIAL INFORMATION** and are being submitted **UNDER SEAL** as **CONFIDENTIAL and PROPRIETARY**. Both a public version and a nonpublic, **CONFIDENTIAL** version of these response attachments are attached.

As required, the original plus four (4) hard copies will follow. 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: Bob Lane, TAWC
Shilina Brown, Consumer Advocate Division
Victoria Glover, Consumer Advocate Division
Phillip Noblett, City of Chattanooga
Frederick Hitchcock, City of Chattanooga
Scott Tift, UWUA

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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-
AMERICAN WATER COMPANY TO
MODIFY TARIFF, CHANGE AND
INCREASE CHARGES, FEES, AND
RATES, AND FOR APPROVAL OF A
GENERAL RATE INCREASE**

DOCKET NO. 24-00032

**TENNESSEE-AMERICAN WATER COMPANY’S RESPONSE
TO THIRD SET OF DISCOVERY REQUESTS OF THE CONSUMER ADVOCATE**

Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Response to Third Set of Discovery Requests propounded by the Consumer Advocate 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
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Dominic DeGrazia

Question:

- 3.1 Regulatory Asset. Refer to the File <TAW R CADDR2 043 073024 Attachment.xlsx> spreadsheet, Tab “CAD 2-43”, that was included with the Company’s Response to the Consumer Advocate DR No. 2-43. Specifically refer to Row 9 of this spreadsheet which refers to a balance in Account 18680226-Regulatory Asset-Enterprise Solutions for \$32,878 and provide the following information:
- a. Provide a narrative description of the nature of this account;
 - b. Provide the entry date and a copy of the accounting entry when this balance was originally recorded; and
 - c. Provide a copy of the authorization (if any) from the Commission for approval of this Regulatory Asset.

Response:

- a. The Enterprise Solutions regulatory asset is related to an upgrade to the Company’s plant accounting software to align the Company’s ability to administer the Average Rate Assumption Method (“ARAM”) with respect to the excess deferred income tax liability (“EADIT”) the Company realized with the Tax Cuts and Jobs Act (“TCJA”).
- b. This balance is made up of multiple entries from December 2019 – September 2020. These costs were recorded at the Service Company level and allocated out to the states. Please see the TAW_R_CADDR3_001_082724_Attachment that details out the costs and allocation to TN.
- c. TAWC has included the balance for this account as part of the Utility Plant in-service component of rate base and is not seeking Regulatory Asset treatment.

Row Labels	Sum of Val/COArea Crcy	Allocation Factor*	
2019	829,767.84		
12	829,767.84	2.50%	20,744
2020	487,290.06		
1	255,480.40	2.49%	6,361
2	40,618.85		1,011
3	67,603.78		1,683
4	46,710.82		1,163
5	38,287.46		953
6	28,433.75		708
7	22,080.00		550
8	(13,800.00)		(344)
9	1,875.00		47
Grand Total	1,317,057.90		<u>32,878</u> Tennessee American Water Balance

Tennessee American Water Allocation Factor*

		From	To
B26-01-0226	2.50%	12/1/2019	12/31/2019
	2.49%	1/1/2020	9/30/2020

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Grady Stout

Question:

- 3.2 New Service Activity. Refer to the Company's Response to Consumer Advocate DR No. 2-41 regarding Bill Confirmation for "New Service Activity" and provide the following information:
- a. Provide the last date that the Company was able to successfully bill for New Service Activity; and
 - b. Explain the circumstances surrounding why the Company is currently unable to bill for New Service Activity.

Response:

- a. May 12th of 2013.
- b. On May 13th of 2013, the Company transitioned to a new Accounting and Billing software that did not have capabilities to administer the billing for New Service Activity.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
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Responsible Witness: Dominic DeGrazia

Question:

3.3 Construction Work in Process. Refer generally to the File <TAWC 2024 Rate Case - RB1 Rate Base Summary.xlsx>, Tab “RB 1 Rate Base Summary”, that was included with the Company’s filing. It appears that the Company has omitted Construction Work in Process (“CWIP”) from the Rate Base calculation. Explain the Company’s basis and rationale for this omission.

Response:

TAWC’s position is that plant is not part of rate base until it is, or is forecasted to be, in-service and used and useful. Thus, Construction Work in Progress (“CWIP”), which is not yet “used and useful,” has not been included in the rate base calculation.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Prendergast

Question:

3.4 DEI. Regarding costs incurred by the Company related to the pursuit of its Diversity, Equity and Inclusion (“DEI”) goals, provide the following:

- a. Identify all labor-related and employee benefit costs and payroll taxes, exclusive of short and long-term incentive compensation, charged to TAWC in 2023 associated with American Water’s Diversity and Equity section. This would include the costs associated with the Chief Inclusion, Diversity and Equity Officer and all employees who report to that employee;
- b. Identify the 2023 costs charged to TAWC associated with the development and maintenance of the following website: Inclusive, Diverse & Equitable | Diversity At American Water (diversityataw.com); and
- c. Identify the 2023 costs charged to TAWC associated with DEI metric reporting and the preparation of the annual Diversity, Equity, and Inclusion report.

Response:

- a. Please refer to the table below for the labor-related, employee benefit costs, and payroll taxes, exclusive of short and long-term incentive compensation, charged to TAWC in 2023 associated with American Water’s ID&E program. Please note that in 2024, the Chief ID&E Officer’s role was modified to include Vice President of Talent Acquisition.

Position	Labor Expense	401k Expense	DCP Expense	Group Insurance	FICA	FUTA	SUTA	Total
Chief ID&E Officer & VP Talent Acquisition	\$5,765	\$121	\$240	\$518	\$321	\$1	\$4	\$6,969
Director, ID&E	2,898	17	152	603	263	1	4	3,938
ID&E Business Partner	3,025	91	159	465	282	1	7	4,030
Total	\$11,687	\$229	\$551	\$1,586	\$866	\$3	\$15	\$14,937

- b. There were no direct costs associated with the development and maintenance of the website: Inclusive, Diverse & Equitable | Diversity at American Water (diversityataw.com) charged to TAWC in 2023. All maintenance and updates for

the website in 2023 were embedded in the overall costs of maintenance for American Water websites and cannot be identified specifically.

- c. There were no direct costs associated with DEI metric reporting and the preparation of the annual Diversity, Equity, and Inclusion report charged to TAWC in 2023. The metric reporting and annual report were completed internally, and the overall costs for the preparation of these items cannot be identified specifically.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Prendergast

Question:

3.5 DEI. Identify the number of hours spent by TAWC employees in 2023 in diversity, equity or inclusion training sessions.

Response:

The total number of hours spent in DEI training sessions in 2023 for all of TAWC's 102 employees was a combined 17.55 hours.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: John Watkins

Question:

3.6 Legal Costs. Provide a copy of unredacted legal invoices associated with the current Docket through June 30, 2024.

Response:

Tennessee-American objects to this request because legal invoices include privileged attorney-client communications and attorney work product. Subject to and without waiving any privilege in whole or in part and without waiving these objections, Tennessee-American responds by producing redacted versions of the responsive invoices with a separate document containing a non-privileged log containing itemized summaries of the work performed by the Company's outside counsel.

Please see TAW_R_CADDR3_006_082724_Attachment_1_Confidential and TAW_R_CADDR3_006_082724_Attachment_2_Confidential.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: John Watkins

Question:

3.7 Shared Labor. Refer to the Response to Consumer Advocate DR No. 1-73 and respond to the following:

- a. For each of the positions listed, identify the percentage of the employee's labor charged to TAWC;
- b. Indicate whether any of these positions were previously identified as a TAWC position. If so, identify the date by which the position was reclassified as an AWWSC position; and
- c. Provide an explanation why these positions are classified as AWWSC positions rather than TAWC positions.

Response:

- a. Please refer to the response provided in TAW_R_CADDR2_059_073024 for the percentages of each employee's labor charged to TAWC during the test year.
- b. Please see below for two positions that were previously identified as TAWC positions, along with the dates by which each was reclassified as an AWWSC position as well as the percentages of labor charged to TAWC during the test year and YTD 2024:

Position	AWWSC Date	Allocated to TAWC - 2023	Allocated to TAWC - YTD 2024
Regional Manager, GIS	2/5/2024	100%	2.67%
Sr. GIS Specialist	5/13/2024	100%	38.59%

- c. The GIS function has been centralized and moved into AWWSC, as this allows for employees to be able to support other regulated states as needed.

**TENNESSEE AMERICAN WATER COMPANY
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Responsible Witness: John Watkins

Question:

3.8 Allocation. Refer to the Response to Consumer Advocate DR No. 1-88, part c, which provides the effective TAWC allocation ratios forecast for 2024 by allocation category. Provide this same information for (a) 2023 and (b) the effective ratios underlying forecasted 2025 costs contained in Petitioner's Exhibit EXP-8, to the extent they differ from either 2023 or 2024 allocation ratios.

Response:

a. Please see below for the allocation ratios used to allocate 2023 costs for TAWC:

WBS Tier	Allocation Ratio
Direct	100.00%
Tier 1	2.49%
Tier 2 (All Regulated Companies)	2.64%
Tier 2 (Regional)	38.33%

b. There were no changes to the allocation ratios as the projected 2025 costs were built from the test year 2023 actual costs.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Dominic DeGrazia

Question:

- 3.9 EADIT. Has the balance of TAWC Excess Accumulated Deferred Income Taxes ("EADIT") been modified since it was defined in TPUC Docket No. 18-00039 for adjustments other than normal annual amortizations? Specifically, has the Company adjusted its EADIT balance due to corrections or implementation of the provisions provided in the SEC Staff Accounting Bulletin (SAB) No. 118? If so, provide the following:
- a. Provide a comprehensive explanation supporting the reasons for any adjustments to the EADIT balance after those balances were identified in TPUC Docket No. 18-00039 and the date such changes were made;
 - b. Provide the underlying calculations supporting the adjustments made to amounts designated as EADIT; and
 - c. Provide a comprehensive explanation of how such adjustments impacted TAWC ratepayers, including amounts reflected in this proceeding.

Response:

No, TAWC's EADIT was not modified since it was defined in TPUC Docket No. 18-00039 other than the normal annual amortizations.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Lane

Question:

- 3.10 Regulatory Costs. Refer to the File <TAWC 2024 Rate Case – Regulatory Expense Exhibit.xlsx>, Tab “Workpaper” (Schedule EXP-11.2. Specifically, the Pro Forma Adjustment to Regulatory Expenses, and respond to the following:
- a. Provide the rationale for an estimated legal cost associated with the present Docket that is nearly twice that of the legal costs estimated in Iowa Case RPU 24-0002;¹
 - b. Identify the estimated legal costs associated with the docket for each currently pending American Water affiliate rate case before a state regulatory agency;
 - c. Identify the efficiencies (if any) from the simultaneous engagement of the Brattle Group and Baryenbruch & Company in multiple American Water engagements; and
 - d. Provide the costs incurred to date through July 31, 2024, for each contractor identified in the Workpaper tab.

Response:

- a. TAWC objects to this request as overly broad and unduly burdensome because it calls for a response based on information of a third-party over which TAWC does not have possession, custody, or control. Subject to this objection, TAWC responds that its estimate of legal costs for this rate case was formulated based on many factors, including the time since the last rate case was filed and the historical manner and process that is customary in contested matters before the Commission including the general and usual approach of the anticipated intervenors.

¹ On May 1, 2024, Iowa-American Water’s expert, Margaret A. McWilliams, provided a cost estimate in a publicly-filed excel spreadsheet titled “IAWC McWilliams Direct Exhibit 6: Regulatory Expense CONFIDENTIAL and PUBLIC.” A copy of the publicly available spreadsheet is attached as CA Exhibit DR 3-10.” One may also access the docket on the Iowa Utilities Commission website at <https://efs.iowa.gov/search/documents?searchRun=Document&docketNumber=RPU-2024-0002&isTariffDocument=false&sortColumn=xDateFiled&sortOrder=desc>.

- b. TAWC objects to this request as overly broad and unduly burdensome because it calls for the production of information held by American Water's affiliated operating subsidiaries, all of which are separate legal entities whose information TAWC does not have possession, custody, or control of. TAWC further objects to this request as it calls for information not relevant to this case in that the Company is only seeking recovery of its own legal expenses, not those of other companies. TAWC further objects to this request as unduly burdensome in that the requested information, which is publicly available, is equally available to the Consumer Advocate.
- c. TAWC objects to this request as overly broad and unduly burdensome because it calls for the production of information regarding American Water's other operating subsidiaries, all of which are separate legal entities whose information TAWC does not have possession, custody, or control of. Subject to this objection, TAWC responds, based on information reasonably within its possession, custody, or control, that professionals with the Brattle Group and Baryenbruch & Company have prior familiarity with American Water, American Water Works Service Company, Inc., and the provision of debt, equity, and services to American Water's operating subsidiaries.
- d. Please see the table below:

		2024
		Rate Case Expense
Description	Consultant	As of 7/31/2024
Rate of Return	Brattle Group	\$45,905
Legal	Butler Snow LLP	318,822
Compensation Study	Willis Towers Watson	59,360
Support Services Study	Baryenbruch & Company, LLC	56,610
Cash Working Capital Study	Gannett Fleming	23,695
Depreciation Study	Concentric	118,552

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Lane

Question:

3.11 Regulatory Costs. What steps has the Company taken to minimize regulatory legal costs?

Response:

The projected level of regulatory legal costs (i.e., outside legal fees) reflect only those costs necessary to facilitate an efficient and fair rate case proceeding. To minimize these costs, the Company has retained legal counsel experienced in representing utilities before the Tennessee Public Utility Commission, and where feasible, is leveraging in-house resources.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: John Watkins

Question:

3.12 Job Descriptions. Provide a copy of the job description of all employees whose time is charged to the AWSC External Affairs and Public Policy Department.

Response:

Please refer to TAW_R_CADDR3_012_082724_Attachment CONFIDENTIAL for job descriptions of employees whose time is charged to the AWWSC External Affairs and Public Policy Department.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Lane, Dominic DeGrazia

Question:

3.13 Water Usage. Refer to the MFG Q022 file submitted as part of the Minimum Filing Requirements. This identifies the 12-month rolling Non-Revenue Water percentage as of December 2023 at 23.27%. Respond to the following questions:

- a. Confirm that the Company has not sponsored test period adjustments to reduce Operating and Maintenance costs for those costs incurred in excess of the existing 15% NRW percentage. If this is confirmed, provide the rationale for not sponsoring such an adjustment. If this is not confirmed, identify the location where such adjustments were sponsored.
- b. Confirm that the following cost items will vary with the quantity of water usage:
 - i. Chemicals;
 - ii. Purchase Power;
 - iii. Purchased Water; and
 - iv. Waste Disposal.

If any of the above items do not vary with the quantity of water usage, provide a comprehensive explanation supporting this conclusion.

Response:

- a. The Company did not sponsor any test period adjustment to reduce production cost expenses related to NRW. TAWC does not believe that it is appropriate to make an adjustment for Non-Revenue Water in excess of 15%.

First, the Commission has never established a 15% NRW standard. In TRA Docket Number 08-00039 the Commission established a 15% standard for “unaccounted for water” not “non-revenue water.” In TRA Docket No. 10-00189 the Commission also adopted an unaccounted for water adjustment. The term “unaccounted for water” and “non-revenue water” are not synonymous.

Non-revenue water is water for which revenue was not collected. Non-revenue water is the difference between the system delivered water and the amount that

was billed to customers. Non-revenue water does not necessarily equate to lost water or water not put to productive use. For example:

- Non-revenue water includes water that is used for firefighting.
- Non-revenue water includes water that is put to productive use for water quality purposes such as flushing pipes to maintain the quality of the water in pipes.
- Non-revenue water includes water used in flow tests used by developers and the Company in hydraulic modeling.
- Non-revenue water includes water used for fire hydrant testing to ensure the proper function of the fire system to make sure sufficient pressure for effective firefighting.
- Non-revenue water includes water that is metered and used by customers but not billed.

TAWC does not believe it is appropriate to reduce operating expenses based on the percentage of non-revenue water. Specific operating conditions that may drive leakage and other water loss vary from water utility to water utility.

- b. As discussed below, the expenses related to Chemicals, Purchased Power, Purchased Water and Waste disposal vary for a variety of reasons beside water usage so the Company does not confirm that these costs “vary with” water usage in any linear fashion that would support a direct 1 to 1 relationship between the costs incurred for these expense items and the amount of water used or produced.

The Chemical, Purchased Power, Purchased Water and Waste Disposal costs vary for multiple reasons besides water usage. Water usage, and the amount of water produced, is just one of several cost drivers for these expenses. While Chemicals, Power and Waste Disposal expense can vary with the quantity of water produced, it is not a direct linear relationship and water usage and production is not the only factor. For responsiveness and illustrative purposes, below are examples that explain why there is no direct linear correlation between these expenses and the quantity of water usage.

- i. Chemicals: In addition to the volume of raw water to be treated, the amount of Chemicals needed varies with the condition of the raw water being utilized. These conditions vary depending on many factors. The specific temperature, chemistry, turbidity, and other factors affect the type and quantity of chemicals needed.
- ii. Purchase Power: Purchase Power costs vary depending on the amount of electricity used and when that electricity is consumed. In addition, there is a demand charge that does not vary with the total amount of electricity used but rather is based on peak demand. Electricity is utilized throughout TAWC’s system and for a variety of reasons not related to the amount of water that is being produced. Water is moved in and out of storage. Water is kept circulating in order to maintain water quality. Need for

electricity use varies depending on when and where the demand for water occurs. Furthermore, some systems operate continually, and their operation does not vary with the amount of water being produced. For example, within the settling basins, flocculators turn continuously at prescribed speeds regardless of water production levels. Another example is any computer or IT type systems (such as SCADA) that function 24 hours per day, regardless of water production.

- iii. Purchased Water: We use Purchased Water in Suck Creek, Jasper Highlands, and occasionally in Chattanooga and Whitwell.
- Suck Creek: The amount of Purchased Water TAWC must purchase in Suck Creek is largely dependent on the amount of water the Company is able to draw from its wells. That amount varies depending on conditions within the water table from which the wells draw water. The water table conditions can vary depending on weather and other factors. TAWC utilizes Purchased Water to make up the difference between what the wells are producing and what system demand is at that specific time. If well production is down, purchased water use goes up. In addition, if wells and associated equipment need maintenance, Purchased Water is acquired as needed to make up for any production that is out of service.
 - Jasper Highlands: The amount of water purchased by TAWC to supply Jasper Highlands is a function of the amount of water used by the Company's customers, the amount of water used by the Company to maintain water quality (i.e., flushing), the amount of water used to test fire hydrants, any water needed to fight a fire, and any amount of water that is lost due to leakage from the system.
 - Chattanooga: The Company occasionally purchases water to service the Chattanooga service area. The amount of water TAWC must purchase depends primarily on operational needs created by lower production from our Citigo water production facility.
 - Whitwell (Sequatchie Valley): The Company occasionally purchases water to service the Whitwell service area. The amount of water TAWC must purchase is dependent on operational needs created by production variation from our Whitwell (Sequatchie Valley) water production facility.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: John Watkins

Question:

3.14 Adjustments. Refer to the Company's Response to Consumer Advocate DR No. 1-90. Specifically, File <TAW_R_CADDR1_90_062524_Attachment CONFIDENTIAL.xlsx>, Tab "raw data – opex". Provide this same information for years ending 2019-2022.

Response:

Please refer to TAW_R_CADDR3_014_082724_Attachment_CONFIDENTIAL.
(Provided in Excel only due to the format of the spreadsheet.)

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Dominic DeGrazia

Question:

3-15. Source & Support. Refer to <Petitioner's Appendix Inflation-DD> as filed with the Company's Petition. Specifically, refer to Schedule 1.3 "Inflation-Ofc Sup Stationery". The Consumer Advocate is unable to locate Series ID PCU4532—4532-- on the Bureau of Labor Statistics database, searchable at <https://data.bls.gov/pdq/SurveyOutputServlet>. The results of the Consumer Advocate's search on the Bureau of Labor Statistics for Series ID PCU4532--4532-- returned results for Series ID NDU4532--4532—which was discontinued in 2022. Provide the source of the Company's data for Series ID PCU4532-4532--.

Response:

Please refer to the response to TAW_R_CADDR1_179_062524.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
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Responsible Witness: Dominic DeGrazia

Question:

3-16 Source & Support. Refer to File <Exhibit AB-1> as attached to this Discovery Request. This attachment is a comparison of the monthly Bureau of Labor Statistics for Series ID CUSR0000SAH1 as taken from the Bureau of Labor Statistics database and the Company's Appendix Inflation-DD Schedule 1.5 "Inflation-Rent". As shown in the attachment, the results for CUSR0000SAH1 presented in Schedule 1.5 differ from the information provided by the Bureau of Labor Statistics. Provide the source of the Company's data for the Series ID CUSR0000SAH1.

Response:

The source for the "Inflation-Rent" (Schedule 1.5) information was the database Series ID "CUSR0000SAH1" from the U.S. Bureau of Labor Statistics website. However, the amounts have been revised as shown in Exhibit AB-1. TAWC will update at rebuttal the 3-Year average for the "Inflation-Rent", incorporating these revised amounts as shown in the TAW_R_CADDR3_016_082724_Attachment.

Development of Rent Inflation Factor

CPI for All Urban Consumers (CPI-U)

Original Data Value

Series Id: CUSR0000SAH1

Seasonally Adjusted

Series Title: Shelter in U.S. city average, all urban consumers, seasonally adjusted

Area: U.S. city average

Item: Shelter

Base Period: 1982-84=100

Years: 2020 to 2023

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	323.417	324.489	324.485	324.431	325.152	325.493	326.268	326.779	327.002	327.386	327.750	328.144
2021	328.547	329.149	329.948	331.235	332.294	333.806	335.405	336.089	337.340	338.871	340.460	341.838
2022	342.909	344.742	346.366	348.246	350.372	352.539	354.637	357.206	359.633	362.288	364.589	367.339
2023	369.999	372.662	374.620	376.434	378.464	380.032	381.850	383.185	385.370	386.675	388.398	389.979

	Per Table	Annual Change
Dec-20	328.144	
Dec-21	341.838	4.17%
Dec-22	367.339	7.46%
Dec-23	389.979	6.16%
3-Year Average		5.93%

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Prendergast

Question:

3-17 Adjustments. Refer to File <TAWC 2024 Rate Case – Labor Exhibit
CONFIDENTIAL.xlsx> as filed with the Company's Petition. [REDACTED]

Response:

[REDACTED]

However, please note TAWC's response to Consumer Advocate DR No. 1-63 in which TAWC explained that the costs related to TAWC's Separation and/or Severance agreements were inadvertently included in the projected revenue requirement for the attrition year and the Company will remove these costs from the projected revenue requirement in its rebuttal testimony filing.

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TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: John Watkins

Question:

3-18 Adjustments. Refer to the Company's Response to Consumer Advocate DR No. 1-90. Specifically, refer to File <TAW_R_CADDR1_90_062524_Attachment CONFIDENTIAL.xlsx>, Tab [REDACTED]

Response:

The Company is not proposing the inclusion of severance expense in the attrition period. [REDACTED]

Please note that the Company has supplemented its response to Consumer Advocate DR No. 1-90 which includes an updated file named 'TAW_R_CADDR1_090_062524_Revised Attachment CONFIDENTIAL'.

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TENNESSEE PUBLIC UTILITY COMMISSION
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THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Lane

Question:

3-19 Refer to File "TAWC 2024 Rate Case – Revenue Requirement.xlsx", Tab "Gross Revenue Conv Factor" (Schedule FS-1.3) included in this file and provide answers to the following:

- a. Provide the Company's rationale for including the TPUC fee within the calculation of the Revenue Conversion Factor; and
- b. Provide the basis for the "Gross Income Tax @ 3%" as shown on line 9. Within your response provide the nature of this tax and to whom it is payable to.

Response:

- a. The TPUC inspection fee is based on revenue. The TPUC inspection fee was included in the calculation of the Revenue Conversion Factor to account for the additional TPUC inspection fee expense the Company can expect to experience as a result of incremental revenues.
- b. "Gross Income Tax @ 3%" (Gross Receipts Tax) is a tax imposed by the state on the Company's gross receipts. The Gross Receipts Tax is payable to the Tennessee Department of Revenue.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
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CONSUMER ADVOCATE DIVISION**

Responsible Witness: Robert Lane, Chuck Rea

Question:

3-20 Affordability Program. Refer to the Direct Testimony of Grant Allen Evitts at pp. 13 and 14. Also refer to the Direct Testimony of Charles Rea at pp. 21 and 22, and respond to the following:

- a. Explain how TAWC intends to represent its multi-tiered universal affordability program in its filed tariff? Where will the program be discussed within the published tariff?
- b. How will customers be made aware of the discounts available in this program/tariff?
- c. How will TAWC determine the household income of individual customers? Will this program/tariff be an active offering where the Company seeks customers who meet the requirements?

Response:

- a. The proposed tariff page for the Universal Affordability Tariff is attached to Mr. Lane's direct testimony (page 49 of the PDF version). The proposed tariff page is referred to as Exhibit BL-1 within Mr. Lane's testimony, however, the proposed tariff page attached to Mr. Lane's testimony is missing this heading. If the proposed Universal Affordability Tariff is approved, TAWC intends to insert the tariff page immediately after the Tariff Page: TPUC 40; Original Sheet No 4-s1.2 as TPUC 40 Original Sheet No 4-s1.3.
- b. If the Universal Affordability Tariff is approved, customers will be advised of the Tariff through a multi-pronged approach using TAWC's existing customer communications tools, such as:
 1. TAWC's website will display information about the Universal Affordability Tariff prominently on our web page;
 2. TAWC's existing social media presence (Twitter, Facebook);
 3. TAWC's Customer Service and Field Service Representatives will be trained to answer customers' questions regarding the Universal Affordability Tariff;
 4. Press releases and reaching out to interested reporters in our service territory;

5. Local and state officials in the area to get the word out to their constituencies;
 6. Local Community Based Organizations (CBO's) who serve or interact with communities that include people eligible for the program to have them communicate to their constituency;
 7. Local government agencies which serve residents who might be eligible for this program;
 8. Bill messaging;
 9. Regular customer communications via e-mail; and
 10. TAWC's existing customer service operations to answer questions about bill assistance and/or affordability issues.
- c. TAWC will require that each customer applying for the Universal Affordability Tariff provide proof of their annual income to the Company's designated third party administrator. The applying customer's annual income is compared to the UAT qualifying levels set in an approved tariff. If an applying customer qualifies, they will receive the applicable discount. Additionally, customers will be asked to requalify on a periodic basis.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-21 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-68(a). Specifically, provide an explanation as to why "consisten[t] with other businesses having similar or comparable risks" being the same as "[t]he return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks" as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-68(a). Subject to and without waiving this objection, the Company responds as follows:

Please see the response to CAD 3-25. As noted therein, Ms. Bulkley paraphrased the *Hope* and *Bluefield* decisions and has provided the specific citations in that response. Ms. Bulkley does not believe that the paraphrased language is substantially different than the guidance provided in *Hope* and *Bluefield*. As noted in CAD 3-25, Ms. Bulkley also referenced a Commission's decision which also relies on *Hope* and *Bluefield*. Ms. Bulkley believes that *Hope*, *Bluefield* and the Commission's decision all recognize that the return should be commensurate with the return on other businesses with comparable, or corresponding risk. She does not see a meaningful distinction in these terms.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
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CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-22 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-68(b). Specifically, explain why Ms. Bulkley uses the phrasing "consisten[t] with other businesses having similar or comparable risks" instead of "commensurate with returns on investments in other enterprises having corresponding risks" as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-68(b). Subject to and without waiving this objection, the Company responds as follows:

Please see the response to CAD 3-21.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-23 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-68(c). Specifically, explain why Ms. Bulkley considers the "adequacy of the return to support credit quality and access to capital" the same as "sufficient to... support its credit and... raise the money necessary for the proper discharge of its public duties" as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-68(c). Subject to and without waiving this objection, the Company responds as follows:

Please see the response to CAD 3-25. As noted therein, Ms. Bulkley paraphrased the *Hope* and *Bluefield* decisions and has provided the specific decisions as attachments to CAD-3-25. Ms. Bulkley does not believe that the paraphrased language is substantially different than the guidance provided in *Hope* and *Bluefield*. As noted in the response to CAD 3-25, Ms. Bulkley also referenced a Commission's decision which also relies on the Supreme Court determination that the rate a utility is permitted to charge should enable it to "operate successfully, to maintain its financial integrity, to attract capital, and to compensate investors for the risks assumed." Ms. Bulkley's opinion is that the language used in her testimony has the same meaning as the language cited by the Commission from the Supreme Court decisions.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-24 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-68(d). Specifically, explain why Ms. Bulkley uses the term "adequacy of the return to support credit quality and access to capital" the same as "sufficient to... support its credit and... raise the money necessary for the proper discharge of its public duties" as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-68(d). Subject to and without waiving this objection, the Company responds as follows:

Please see the response to CAD 3-23.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-25 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-69(a). Specifically, have Ms. Bulkley explain why an authorized ROE of a utility Company is always to be set to equal to a utility company's market required return on its invested capital, as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-69(a). Subject to and without waiving this objection, the Company responds as follows:

The rephrasing of the question asked above is not the same question that was asked in Consumer Advocate DR. No. 2-69(a). The question posed in the referenced question was "*Should* an authorized ROE of a utility company always be set equal to a utility company's market-required return on its invested capital? Please explain."

The question that is now being asked assumes that the answer to the original question is that the utility Company's authorized ROE is always to be set equal to the company's market required return. However, Ms. Bulkley's answer to this question was provided in CAD DR No. 2-68. In that response, Ms. Bulkley indicates that the authorized ROE should meet the guidance established in *Hope* and *Bluefield*, which was paraphrased by Ms. Bulkley at page 10 of her Direct Testimony. Please see CAD DR No. 3-25, Attachments 1 and 2 for the *Hope* and *Bluefield* cases, which discuss the criteria for establishing the rate of return on investment. In particular, *Hope* indicates the following:

As respects rates for natural gas, from the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business, which includes service on the debt and dividends on stock, and by such standard the return to the equity owner should be commensurate with the terms on investments in other enterprises having corresponding risks, and such returns should be sufficient to assure confidence in the financial integrity of the enterprise so as to maintain its credit and to attract capital.

Further, Bluefield states:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding, risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in *693 highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Further, Ms. Bulkley notes at page 11 of her testimony, that the Commission follows the *Hope* and *Bluefield* precedent noting the following:

In setting rates for public utilities, the Commission balances the interests of the utilities subject to its jurisdiction with the interests of Tennessee consumers, i.e., it is obligated to fix just and reasonable rates.

...

The Commission must also approve a rate that provides the regulated utility an opportunity to earn a just and reasonable return on its investments. The Commission considers petitions for a rate increase, filed pursuant to Tenn. Code Ann. § 65-5-103, in light of the following criteria: The investment or rate base upon which the utility should be permitted to earn a fair rate of return;

- The proper level of revenues for the utility;
- The proper level of expenses for the utility; and
- The rate of return the utility should earn.

...

In addition, the United States Supreme Court has determined that regulated utilities are entitled to a return that is "just and reasonable." The rate a utility is permitted to charge should enable it "to operate successfully, to maintain its financial integrity, to attract capital, and to compensate investors for the risks assumed."¹. *[citations omitted]*

¹ TPUC, Chattanooga Gas Company, Docket No. 18-00017, January 11, 2019, at 9-11.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-26 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-69(b). Specifically, Ms. Bulkley explain why regulatory principles allow a Commission to authorize an ROE that is higher than a utility company's market required return on its invested capital, as asked in the original question.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-69(b). Subject to and without waiving this objection, the Company responds as follows:

The question asked in CAD 3-26 is not the same question as asked in CAD 2-69(b). The question in CAD-2-69(b) states the following:

- b. Do regulatory principles allow a Commission to authorize an ROE that is higher than a utility company's market-required return on its invested capital. Please explain?

Ms. Bulkley referred to the regulatory principles that the Commission follows and the *Hope* and *Bluefield* principles. Those principles are further identified in the response to CAD 3-25.

The current question assumes that the answer to CAD 2-69(b) is that the Commission could authorize an ROE that is higher than the company's market required return on its invested capital.

Ms. Bulkley does not believe that the market required return on invested capital is a known number. Rather, the experts in a rate proceeding provide analyses that estimate the range of the investor-required return and make recommendations within those ranges. The Commission relies on the criteria previously referenced in this response, as well as in CAD 2-68 and CAD 3-25, to authorize an ROE that meets the standards referenced above.

**TENNESSEE AMERICAN WATER COMPANY
TENNESSEE PUBLIC UTILITY COMMISSION
DOCKET NO. 24-00032
THIRD DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Ann Bulkley

Question:

3-27 Insufficient Response. Refer to the Company's Response to Consumer Advocate DR No. 2-69(c). Specifically, have Ms. Bulkley explain what other criteria the Commission should consider when determining the appropriate authorized ROE for TAWC other than its market-required return on its invested capital.

Response:

The Company objects to the use of "Insufficient Response" as a description to the Company's response to CAD 2-69(c). Subject to and without waiving this objection, the Company responds as follows:

Ms. Bulkley responded to CAD 2-69(c) indicating that the Commission should consider the guidance provided by the Supreme Court and the Commission's precedent for criteria that should be considered by the Commission.

Ms. Bulkley does not believe that the market-required return on equity is a known number. Ms. Bulkley believes that it is the Commission's responsibility to review the entirety of the record provided by witnesses in the proceeding that estimates the cost of equity and should use the record evidence regarding the estimation of the cost of equity to determine the authorized ROE.

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-
AMERICAN WATER COMPANY TO
MODIFY TARIFF, CHANGE AND
INCREASE CHARGES, FEES, AND
RATES, AND FOR APPROVAL OF A
GENERAL RATE INCREASE**

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DOCKET NO. 24-00032

VERIFICATION

STATE OF Tennessee)


COUNTY OF Hamilton)

I, ROBERT C. LANE, being duly sworn, state that I am authorized to testify on behalf of Tennessee-American Water Company in the above-referenced docket, that if present before the Commission and duly sworn, verifies that the data requests and discovery responses are accurate to the best of my knowledge.



ROBERT C. LANE

Sworn to and subscribed before me
this 26th day of August, 2024.



Notary Public

My Commission expires: 2/28/28



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:

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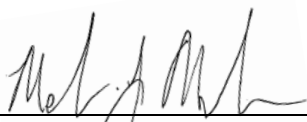
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This the 27th day of August 2024.



Melvin J. Malone