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April 11, 2025

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 April 11, 2025 at 2:12 p.m.

RE: *Tennessee-American Water Company's 2025 Incremental Capital Recovery Rider Tariff Petition, Docket No. 25-00016*

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Response to Consumer Advocate's First Informal Discovery Requests* in the above-captioned matter.

As required, copies will be mailed to your office. Should you have any questions concerning this filing or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Bob Lane, TAWC

Karen H. Stachowski, Consumer Advocate Division
Vance Broemel, Consumer Advocate Division

*Neuhoff Building
1320 Adams Street, Suite 1400
Nashville, TN 37208*

MELVIN J. MALONE
615.651.6705
C 615.948.7801
melvin.malone@butlersnow.com

*T 615.651.6700
F 615.651.6701
www.butlersnow.com*

BUTLER SNOW LLP

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

**TENNESSEE-AMERICAN WATER)
COMPANY’S 2025 INCREMENTAL)
CAPITAL RECOVERY RIDER TARIFF)
PETITION)**

DOCKET NO. 25-00016

**TENNESSEE-AMERICAN WATER COMPANY’S RESPONSE
TO CONSUMER ADVOCATE’S FIRST INFORMAL DISCOVERY REQUESTS**

Tennessee-American Water Company (“TAWC”), by and through counsel, hereby submits its Response to First Informal 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
DOCKET NO. 25-00016
FIRST INFORMAL DISCOVERY REQUEST OF THE
CONSUMER ADVOCATE DIVISION**

Responsible Witness: Bob Lane

Question:

- 1-22. In Mr. Lane's testimony he states on pages 22 and 23 that the previously existing depreciation rates adopted in the last rate case were used in the calculation. However, it appears that the depreciation rates within the WKP 2024-In-Service Actual tab have changed since the last case, resulting in a lower depreciation expense than would have resulted had the rates in the last filing been used. Could you respond to the following:
- a. Confirm that the depreciation rates in the current filing are 2025 rates, and not those in effect in 2024?
 - b. If this is confirmed, recalculate the ICRR to reflect the rates that were in effect for 2024?

Response:

- a. The Depreciation Rates used in the Company's ICRR Petition are not the depreciation rates adopted in the Company's last rate case (TPUC Docket No. 24-00032) but rather are based on those in effect in 2024. However, after receiving Mr. Dittmore's request, TAWC found an error within the Company's ICRR filing related to depreciation rates. The depreciation rates used in the Company's original filing did not include the cost of removal component of the depreciation rate. The depreciation rates within the WKP 2024-In-Service Actual tab (Column I) have been updated in Revised Petitioner Exhibit TAWC 2025 Incremental Capital Recovery Rider, which is attached.
- b. Not confirmed. As noted above in subsection A, the depreciation rates used are not those approved by the Commission in TPUC Docket No. 24-00032. The depreciation rates used are those that were in effect in 2024. In reviewing the CAD's Informal Discovery Request, the Company discovered an error with the Company's ICRR Petition related to depreciation rates and has revised the appropriate exhibits.

The depreciation rates used in the Company's original filing did not include the cost of removal component of the depreciation rate. Correcting for this necessitates a recalculation of the ICRR, which is attached as Revised Petitioner Exhibit ICRRR and ROE Test. This correction results in a change from \$767,559 to \$1,206,251, an increase of \$438,692, to the Company's depreciation expense on incremental additions. As summarized in Revised Petitioner Exhibit TAWC ICRRR and TAW_CADDR1-22_Attachment (*See* lines 4 and 5 of the Incremental Rider Summary Tab), this flowed through to changes in Accumulated Depreciation and Deferred Income Taxes. As detailed in Revised Petitioner Exhibit TAWC ICRRR, this results in an overall change in TAWC's After Tax ICRRR from \$-1,174,067 to \$-597,200. This is an overall increase of \$576,867 in the After Tax ICRRR, which is inclusive of the changes incorporated in the Company's Response to CAD 1-01. (*See* Line 44 of the Revised Petitioner Exhibit TAWC ICRRR)

The results of the ROE test remain unchanged as the Company's net book income reflects the use of the correct depreciation rates, including the cost of removal. Thus, the Company's net book income and, hence the Company's calculated ROE as set forth in the Petition and the Pre-filed Direct Testimony of TAWC Witness Robert C. Lane, is not changed by this correction to the calculation of depreciations rates.

As the results of the ROE test remain unchanged, pursuant to the ICRR mechanism, the ICRRR eligible for recovery from customers remains zero. Thus, as set forth in the Pre-filed Direct Testimony of Mr. Lane, the ICRR surcharge is set at 0.0%.

TENNESSEE-AMERICAN WATER COMPANY
2024 Incremental Capital Rider Revenue Requirement ("ICRRR")
Comparison of Original and Revised Filings
For the Twelve Months Ending December 31, 2024

Line No.	Description	Source	A As Filed	B DR Response to CAD DR 1-01	C Response to DR 1-22 Revised	A - B = D As Filed vs CAD DR 1-01 Delta	A - C = E As Filed vs CAD DR 1-22 Delta
Section A Return							
1	Determining Capital Rider Rate Base and Rate of Return						
	TAWC 13-Month Average Rate Base		\$ 291,704,080	\$ 291,704,080	\$ 291,704,080	\$ -	\$ - [A]
2	Eligible Capital Rider Rate Base		175,045,070	175,045,070	175,069,224	\$ -	\$ (24,154)
3	Plus:						
4	Authorized Rate Base	Rate Order 12-00049	132,015,472	132,015,472	132,015,472	-	-
5	Acquisition Rate Base		0	(935,260)	(935,260)	935,260	935,260
6	Eligible Capital Rider Rate Base Plus	Line 2 + Line 4 + Line 5	307,060,542	306,125,282	306,149,436	935,260	911,106
7	Lower of the Rate Base Calculation	Lower of Line 1 or Line 6	\$291,704,080	\$291,704,080	\$291,704,080	\$0	\$0
8	Eligible Rate Base	Line 7 Less Lines 4 and 5	159,688,608	160,623,868	160,623,868	(935,260)	(935,260)
9	Less: Previously Recovered CR Rate Base		149,037,001	149,037,001	149,037,001	-	-
10	Incremental CRR Investment	Line 8 Less Line 9	10,651,606	11,586,867	11,586,867	(935,260)	(935,260)
11	Pre-Tax Return	12-00049	8.45%	8.45%	8.45%	0.00%	0.00%
12	Pre-Tax Revenue Deficiency on ICR Investment	Lines 10 * 11	900,215	979,259	979,259	(79,043)	(79,043)
13	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056	1.1056	1.1056	-	-
14	Return on Rate Base Revenue Deficiency w/ Regulatory Lag	Line 12 * Line 13	\$ 995,317	\$ 1,082,711	\$ 1,082,711	\$ (87,393)	\$ (87,393)
Section B: Depreciation							
	Determining Depreciation Expense						
15	TAWC Depreciation Expense	PSC--3.06	\$ 12,554,288	\$ 12,554,288	\$ 12,554,288	\$ -	\$ -
16	Minus:						
17	Authorized Depreciation Expense	Rate Order 12-00049	6,090,861	6,090,861	6,090,861	-	-
18	Acquisition Depreciation Expense		-	24,878	24,878	(24,878)	(24,878)
19	Legacy CRR Depreciation Recovery		4,264,359	4,264,359	4,264,359	-	-
20	Incremental Depreciation Expense Cap (Depreciation Expense Unrecovered in either base rates or Capital Rider)	Line 15 Less Lines 17, 18, 19	2,199,068	2,174,190	2,174,190	24,878	24,878
21	Incremental CR Depreciation Expense		767,559	767,559	1,206,251	-	(438,692)
22	Lower of the Depr Expense on incremental CR expenditures or Unrecovered Depreciation Expense	Lower of Line 20 or 21	767,559	767,559	1,206,251	-	(438,692)
23	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056	1.1056	1.1056	-	-
24	ICRRR Depreciation Expense w/ Regulatory Lag	Line 22 * 23	\$ 848,646	\$ 848,646	\$ 1,333,683	\$ -	\$ (485,037)
Section C: Property and Franchise Tax Expense							
25	Determining Property & Franchise Tax Expense						
26	TAWC Property tax - gross	PSC--3.06	\$ 1,487,109	\$ 1,487,109	\$ 1,487,109	\$ -	\$ -
27	TAWC Franchise tax		479,133	479,133	479,133	-	-
28	Minus:						
29	Authorized Property & Franchise Tax	Rate Order 12-00049	3,166,568	3,166,568	3,166,568	-	-
30	Acquisition Property tax		-	10,298	10,298	(10,298)	(10,298)
31	Acquisition Franchise Tax		-	2,338	2,338	(2,338)	(2,338)
32	Legacy CR Property Tax Recovery		2,025,246	2,025,246	2,025,246	-	-
33	Incremental Property & Franchise Tax (Unrecovered in either base rates or capital rider)	Lines 26 + 27 Less Lines 29, 30, 31, 32	(3,225,573)	(3,238,209)	(3,238,209)	12,636	12,636
34	Incremental Property and Franchise Taxes	Property & Franchise Tax Calc	352,937	352,937	352,937	-	-
35	Eligible Capital Rider Franchise Tax						
36	Lower of unrecovered actual or CR property and franchise tax expense	Lower of Line 33 or 34	(3,225,573)	(3,238,209)	(3,238,209)	12,636	12,636
37	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056	1.1056	1.1056	-	-
38	ICRRR Property and Franchise Tax w Regulatory Lag	Line 36 * 37	(3,566,332)	(3,580,303)	(3,580,303)	13,971	13,971
39	Total ICRRR Revenue Requirement	Lines 14 + 24 + 38	\$ (1,722,369)	\$ (1,648,947)	\$ (1,163,910)	\$ (73,423)	\$ (558,459)
40	CRR Revenue Deficiency	Line 39	\$ (1,722,369)	\$ (1,648,947)	\$ (1,163,910)	\$ (73,423)	\$ (558,459)
41	Revenue Taxes Reciprocal Factor		103.30%	103.30%	103.30%	0.00%	0.00%
42	Revenues with Revenue Taxes		\$ (1,779,142)	\$ (1,703,299)	\$ (1,202,275)	\$ (75,843)	\$ (576,867)
43	(Over)/Under Collection from Prior Period		\$ 605,074	\$ 605,074	\$ 605,074	\$ -	\$ -
44	After Tax ICRRR		\$ (1,174,067)	\$ (1,098,225)	\$ (597,200)	\$ (75,843)	\$ (576,867)

[A] Response to CAD DR 1-22 is inclusive of the inclusion of Acquisition adjustments revised in CAD DR 1-01 and the revision to depreciation expense revised in CAD DR 1-22

Tennessee American Water Company
Incremental Capital Rider
As Filed vs Revised Comparison
As of 12/31/2024

Line Number	Description	Total Incremental	Total Incremental Revised	Delta
		As Filed	4/8/3025	
1	Additions Subject to Rider:	\$28,289,988	\$28,289,988	\$0 [A]
2	Plus: Cost of Removal less Salvage	4,165,517	4,165,517	0
3	Less: Contributions in Aid to Construction (CIAC)	31,759	31,759	0
4	Less: Deferred Income Taxes	3,724,419	3,556,655	167,764
5	Less: Accumulated Depreciation	2,691,258	2,834,868	(143,610)
6	Net Investment Supplied Additions:	<u>\$26,008,069</u>	<u>\$26,032,223</u>	<u>(\$24,154)</u>
7				
8	Pre-Tax Authorized Rate of Return:	8.45%	8.45%	0.00%
9	Pre-Tax Return on Additions:	<u>\$2,198,060</u>	<u>\$2,200,101</u>	<u>(\$2,041)</u>
10				
11	Depreciation Expense on Additions:	767,559	1,206,251	(438,692)
12				
13	Property and Franchise Taxes Associated:	<u>352,937</u>	<u>352,937</u>	<u>0</u>
14				
15	Revenues:	<u>3,318,555</u>	<u>3,759,288</u>	<u>(440,733)</u>
16				
17	Revenue Taxes	<u>3.19%</u>	<u>3.19%</u>	<u>0.00%</u>
18	Capital Riders Revenues with Revenue Taxes	<u>3,427,941</u>	<u>3,883,201</u>	<u>(455,261)</u>
19				
20	APP Revenue Reduction	<u>0</u>	<u>0</u>	<u>0</u>
21				
22	Total Capital Riders Revenues with Revenue Taxes & APP	<u>\$3,427,941</u>	<u>\$3,883,201</u>	<u>(\$455,261)</u>

[A] Response to CAD DR 1-22 is inclusive of the inclusion of Acquisition adjustments revised in CAD DR 1-01 and the revision to depreciation expense revised in CAD DR 1-22

TENNESSEE-AMERICAN WATER COMPANY
2024 Incremental Capital Rider Revenue Requirement ("ICRRR")
For the Twelve Months Ending December 31, 2024

Line No.	Description	Source	2024
Section A Return			
Determining Capital Rider Rate Base and Rate of Return			
1	TAWC 13-Month Average Rate Base		\$ 291,704,080
2	Eligible Capital Rider Rate Base		175,069,224
3	Plus:		
4	Authorized Rate Base	Rate Order 12-00049	132,015,472
5	Acquisition Rate Base		(935,260)
6	Eligible Capital Rider Rate Base Plus	Line 2 + Line 4 + Line 5	306,149,436
7	Lower of the Rate Base Calculation	Lower of Line 1 or Line 6	\$291,704,080
8	Eligible Rate Base	Line 7 Less Lines 4 and 5	160,623,868
9	Less: Previously Recovered CR Rate Base		149,037,001
10	Incremental CRR Investment	Line 8 Less Line 9	11,586,867
11	Pre-Tax Return	12-00049	8.45%
12	Pre-Tax Revenue Deficiency on ICR Investment	Lines 10 * 11	979,259
13	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
Return on Rate Base Revenue Deficiency w/ Regulatory Lag			
14	Lag	Line 12 * Line 13	\$ 1,082,711
Section B: Depreciation			
Determining Depreciation Expense			
15	TAWC Depreciation Expense	PSC--3.06	\$ 12,554,288
16	Minus:		
17	Authorized Depreciation Expense	Rate Order 12-00049	6,090,861
18	Acquisition Depreciation Expense		24,878
19	Legacy CRR Depreciation Recovery		4,264,359
20	Incremental Depreciation Expense Cap (Depreciation Expense Unrecovered in either base rates or Capital Rider)	Line 15 Less Lines 17, 18, 19	2,174,190
21	Incremental CR Depreciation Expense		1,206,251
22	Lower of the Depr Expense on incremental CR expenditures or Unrecovered Depreciation Expense	Lower of Line 20 or 21	1,206,251
23	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
24	ICRRR Depreciation Expense w/ Regulatory Lag	Line 22 * 23	\$ 1,333,683
Section C: Property and Franchise Tax Expense			
25	Determining Property & Franchise Tax Expense		
26	TAWC Property tax - gross	PSC--3.06	\$ 1,487,109
27	TAWC Franchise tax		479,133
28	Minus:		
29	Authorized Property & Franchise Tax	Rate Order 12-00049	3,166,568
30	Acquisition Property tax		10,298
31	Acquisition Franchise Tax		2,338
32	Legacy CR Property Tax Recovery		2,025,246
33	Incremental Property & Franchise Tax (Unrecovered in either base rates or capital rider)	Lines 26 + 27 Less Lines 29, 30, 31, 32	(3,238,209)
34	Incremental Property and Franchise Taxes	Property & Franchise Tax Calc	352,937
35	Eligible Capital Rider Franchise Tax		
36	Lower of unrecovered actual or CR property and franchise tax expense	Lower of Line 33 or 34	(3,238,209)
37	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
38	ICRRR Property and Franchise Tax w Regulatory Lag	Line 36 * 37	(3,580,303)
39	Total ICRRR Revenue Requirement	Lines 14 + 24 + 38	\$ (1,163,910)
40	CRR Revenue Deficiency	Line 39	\$ (1,163,910)
41	Revenue Taxes Reciprocal Factor		103.30%
42	Revenues with Revenue Taxes		\$ (1,202,275)
43	(Over)/Under Collection from Prior Period		\$ 605,074
44	After Tax ICRRR		\$ (597,200)

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE

TENNESSEE-AMERICAN WATER)
COMPANY'S 2025 INCREMENTAL)
CAPITAL RECOVERY RIDER TARIFF)
PETITION)

DOCKET NO. 25-00016

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 8th day of April, 2025.



Notary Public

My Commission expires: 2/28/28



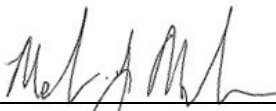
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Vance.Broemel@ag.tn.gov

Karen H. Stachowski, Esq.
Deputy Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Division
P.O. Box 20207
Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

This the 11th day of April 2025.



Melvin Malone