

# BUTLER | SNOW

February 25, 2014

**SUBMITTED ELECTRONICALLY**

Hon. James M. Allison, Chairman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

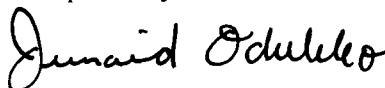
**RE: Petition of Tennessee American Water Company, for Approval of a Qualified Infrastructure Investment Program, an Economic Development Investment Rider, a Safety and Environmental Rider and Pass Throughs for Purchased Power, Chemicals, Purchased Water, Wheeling Water Costs, Waste Disposal, and TRA Inspection Fees, TRA Docket No. 13-00130**

Chairman Allison:

Enclosed please find for electronic filing Tennessee-American Water Company's (the "Company") revised executed tariff pages in the above-captioned matter. This revised tariff replaces the tariff filed in the matter on January 23, 2014. The original and four (4) hard copies of this filing will be submitted at a later time as required by the rules of the Tennessee Regulatory Authority (the "Authority").

Please let us know if you have any questions or require additional information.

Respectfully,



Junaid A. Odubeko

Enclosures

cc: Joe Shirley  
Vance Broemel

ButlerSnow 19835413v1

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**CLASSIFICATION OF SERVICE****PRODUCTION COSTS AND OTHER PASS-THROUGHS ("PCOP") RIDER****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Production Cost and Other Pass-Through ("PCOP") Rider will apply to customers in all service areas.

The above rider will be recomputed annually and will be adjusted to incorporate the Over-Under Collection Adjustment.

**2. Definitions**

For the purposes of this Rider:

**"Adjusted Review Period PCOP Costs"** means the Review Period PCOP Costs net of the Over- Under Collection Adjustment.

**"Authority"** means the Tennessee Regulatory Authority.

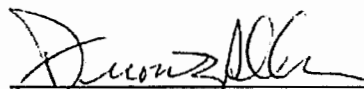
**"Base Period PCOP Costs"** means the amount of annual expenses of the Company for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses and TRA inspection fees reflected in the Relevant Rate Order.

**"Consumer Advocate"** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**"Over-Under Collection Adjustment"** means the adjustment to the PCOP Percentage Rate applicable to the coming Review Period for the net amount of over or under collections for the prior Review Period, as adjusted for Interest.

**"Relevant Rate Order"** means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

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**ISSUED: February 25, 2014****EFFECTIVE: March 25, 2014****BY:**  
**Deon E. Allen**  
**PRESIDENT**

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**109 Wiehl Street**  
**Chattanooga, Tennessee 37403**

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**“Review Period”** means the twelve month period on which the Review Period PCOP Costs are calculated.

**“Review Period PCOP Costs”** means the amount of actual annual expenses of the Company for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses, and TRA inspection fees, as adjusted for the Authority’s water loss policies.

### **3. General Description**

PCOP allows the Company to recover outside of a rate case its incremental cost for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses and TRA inspection fees, as adjusted for the Authority’s water loss policies.

Review Period PCOP Costs are to be separately identifiable on the Company’s books and segregated into the following general accounts:

Accounts 510000000 - 51099999 – Purchased Water Expense;  
Accounts 51510000 - 51599999 – Purchased Power Expense;  
Accounts 51800000 - 51899999 – Purchased Chemical Expense;  
Accounts 51110000 - 51115000 – Waste Disposal Expense; and  
Account 68545000 – TRA Inspection Fee.

### **4. Determination of the Annual Production Cost and Other Pass-Throughs Percentage**

- (A) The PCOP Percentage Rate shall be expressed as a percentage carried to two (2) decimal places. The PCOP Percentage Rate shall be applied to the total amount billed to each Customer based on the Company’s otherwise applicable rates and charges.
- (B) The PCOP Percentage Rate shall be calculated on an annual historical basis as follows:

Base Period PCOP Costs from the Relevant Rate Order  
Divided by Relevant Rate Order Sales Volume in 100 Gallons  
Base Period PCOP Costs per 100 Gallons

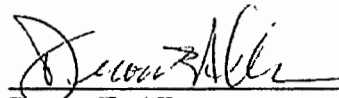
Review Period PCOP Costs Subject to Authority’s Water Loss Policies  
Plus Over-Under Collection Adjustment  
Review Period PCOP Costs Adjusted for Over-Under Collections

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Divided by Relevant Rate Order Sales Volume in 100 Gallons

Adjusted Review Period PCOP Costs per 100 Gallons

Incremental Change in PCOP Costs per 100 Gallons

Multiplied by Relevant Rate Order Sales Volumes in 100 Gallons

PCOP Net Deferred Cost

Less Forfeited Discount Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

Total Deferred PCOP Costs

Divided by Relevant Rate Order Water Sales Revenue

PCOP Percentage Rate

Where:

**Forfeited Discount Rate** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Uncollectible Expense** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

(C) The total amount to be recovered through the PCOP is the PCOP Percentage Rate.

##### **5. Computation of the Over-Under Collection Adjustment**

The Company will identify and record the total amount of the PCOP Collected from Customers under this Rider for the Review Period. The difference between the Total PCOP Collected from Customers for the Review Period and the Total Deferred PCOP Costs authorized for the Review

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Period as determined in Section 4, as adjusted for Interest, shall constitute the Over-Under Collection Adjustment.

(A) The Over-Under Collection Adjustment shall be computed as follows:

Total PCOP Costs Collected from Customers for the Review Period  
Less Total Deferred PCOP Costs Authorized for the Review Period  
Subtotal of Over-Under Collection Adjustment  
Plus Interest Adjustment  
Total Over-Under Collection Adjustment

(B) Computation of Interest Adjustment.

Interest will be computed as follows:

Subtotal of Over-Under Collection Adjustment  
Multiplied by (Interest Rate Multiplied by 50%)Interest Adjustment

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

#### 6. New Base Rates

The PCOP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the PCOP rider. Thereafter, only the costs of new PCOP incremental costs that have not previously been reflected in the Company's base rates would be reflected in new annual prospective PCOP filings.

#### 7. Annual Filing with the Authority

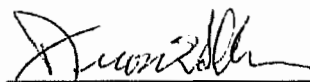
Within 30 days of the end of the most recently authorized Attrition Year set forth in the Relevant Rate Order, and every twelve months subsequent to the end of that Attrition Year, the Company shall submit to the Authority an annual filing calculating the PCOP Percentage Rate. The annual filing shall be verified by an officer of the Company. The PCOP Percentage Rate shall become effective 30 days after the annual filing is submitted to the Authority and shall be applied as an adjustment to Customers' bills for the twelve month period following the effective date of the PCOP Percentage Rate..

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The Company will include in its annual filing the following information at a minimum: (a) a schedule of all Review Period PCOP Costs, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the PCOP Collected from Customers, (c) computation of the PCOP Percentage Rate, including the detailed calculation of each component, (d) a schedule of any proposed prior period adjustments, (e) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (f) the cumulative amount of PCOP Costs collected from customers under this Rider, and (g) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on this annual filing.

**8. Notice Requirements**

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment to the PCOP Percentage Rate. Along with the tariff filing, the Company will include a copy of the computation of the new PCOP Percentage Rate. The Company will simultaneously copy the Consumer Advocate on this tariff filing.

**9. Public Interest Review**


Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Authority, for a reconsideration of whether it remains in the public interest.

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