

March 25, 2014

VIA HAND DELIVERY

Hon. James M. Allison, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
500 Deaderick Street
4th Floor
Nashville, TN 37242

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:

With this letter, I enclose Tennessee-American Water Company's revised tariff sheets for this matter. Pursuant to a request from TRA Staff, the Company has revised the signature and effective dates for the sheets. Please find attached to this letter five (5) paper copies of the Company's revised tariff sheets. We electronically filed these documents on March 25, 2014.

We appreciate your filing these tariff sheets. Please let me know if you have any questions.

With best regards, I am

Very truly yours,



Junaid A. Odubeko

JAO:sc
enclosures

cc: Joe Shirley
Vance Broemel

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

JUNAID A. ODUBEKO
615.651.6732
junaid.odubeko@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

TRA NO. 19

ORIGINAL SHEET NO. 12-EDI-1

CLASSIFICATION OF SERVICE**ECONOMIC DEVELOPMENT INVESTMENT PROGRAM – 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 Economic Development Investment Program (“EDI”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:


“**Actual EDI Investment Amount**” means the amount of actual capital investment and associated operating expenses of the Company for the Economic Development Investment Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual EDI Investment Amounts associated with this Rider shall be included in base rates.

“**Annual Reconciliation Factor**” means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

“**Annual Review Period**” means the twelve-month period between the annual adjustments of the EDI Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

“**Authority**” means the Tennessee Regulatory Authority.

“**Budget-to-Actual Adjustment**” means the adjustment to EDI for the applicable coming annual period due to the difference between the Forecasted EDI Investment and Expense Amount and the Actual EDI Investment and Expense Amount.

ISSUED: March 25, 2014**EFFECTIVE: April 15, 2014****BY:**
Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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

"Forecasted EDI Investment Amount" means the amount of forecasted capital investment of the Company for the Economic Development Investment Program and not otherwise included in current base rates.

"Over-Under Collection Adjustment" means the adjustment to EDI for the applicable coming annual period due to the net amount of over or under collections.

"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.

3. General Description

EDI allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying EDI investment includes the following:

Distribution, Production, and Other Infrastructure – Distribution, production, and other infrastructure that may be identified as being for the purpose of economic development including infrastructure designed to utilize alternative fuels .

Economic Development Expenses – Operational expenses that are specifically to support economic development and economic development investment utility plant.


EDI Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;
Account 333 – Services;
Account 334 – Meters & Meter Installations;
Account 335 – Hydrants;
Account 320 – Water Treatment Equipment, Non-Media;
Account 311 – Pumping Equipment;
Account 303 – Land and Land Rights;
Account 304 – Structures and Improvements;
Account 306 – Lake, River and Other Intakes;

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Account 307 – Wells and Springs;
Account 309 – Supply Mains;
Account 310 – Power Generation Equipment;
Account 341 – Transportation Equipment;
Account 330 – Distribution Reservoirs and Standpipes; and
Account 330003 – Capitalized Tank Painting.

4. Determination of the Economic Development Investment Program Percentage Rate

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

FORECASTED EDI Investment Amount
Less EDI Plant Retirements (Net of Cost of Removal & Salvage)
Less Contributions in Aid of Construction
Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes

Net Forecasted EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted EDI Pre-Tax Return
Plus Depreciation Expense
Plus Property Taxes
Plus Franchise Taxes
Plus Economic Development Operational Expenses

Subtotal Forecasted EDI Revenue Requirement Before Revenue Tax

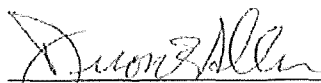
Divided by 1 minus the following:
Forfeited Discounts Rate
Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
Total Forecasted EDI Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

EDI Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted EDI investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted EDI infrastructure.

Depreciation Expense = Forecasted cumulative qualified EDI investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

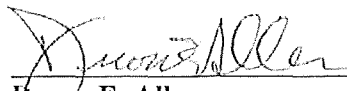
Forfeited Discount Rate = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

Franchise Taxes = Forecasted cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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

Property Taxes = Forecasted cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

EDI Plant Retirements = Forecasted EDI plant removed from service net of any associated cost of removal and salvage.

ISSUED: March 25, 2014**EFFECTIVE:** April 15, 2014**BY:**
Deron E. Allen
PRESIDENT

109 Wichl Street
Chattanooga, Tennessee 37403

Forecasted EDI Investment Amount = Average forecasted EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Economic Development Expenses = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

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

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the EDI is the EDI Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment
Plus Interest
Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

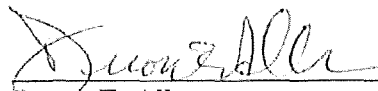
- (C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

ACTUAL EDI Investment Amount for the Annual Review Period
Less EDI Plant Retirements (Net of Cost of Removal & Salvage)
Less Contributions in Aid of Construction
Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes
Net Actual EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual EDI Pre-Tax Return
Plus Depreciation Expense
Plus Property Taxes
Plus Franchise Taxes
Plus Economic Development Operational Expenses
Subtotal Actual EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
Total Actual EDI Revenue Requirement

Less Total Forecasted EDI Revenue Requirement

Budget-to-Actual Adjustment

Where:


Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual EDI investment at the beginning and end of the year.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual EDI infrastructure.

Depreciation Expense = Actual cumulative qualified EDI investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

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

Franchise Taxes = Actual cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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

Property Taxes = Actual cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

EDI Plant Retirements = Actual EDI plant removed from service net of any associated cost of removal and salvage.

Actual EDI Investment Amount = Average actual EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Economic Development Expenses = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

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


Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

The Company will identify and record the total amount of the EDI Collected from Customers for the Annual Review Period. The difference between the Total EDI Collected from Customers and the Total Actual EDI Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest

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.

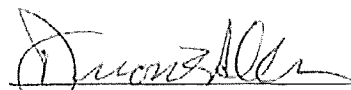
6. New Base Rates

The EDI 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 EDI. Thereafter, only the costs of new EDI eligible plant additions that have not

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wichl Street
Chattanooga, Tennessee 37403

previously been reflected in the Company's rate base, would be reflected in new annual prospective EDI filings.

7. Annual EDI Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the EDI Percentage Rate for the following calendar year. The Annual EDI Percentage Rate Filing shall be verified by an officer of the Company. The Annual EDI Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted EDI Investment Amount, with such revenue adjustment applied through the EDI Percentage Rate. The EDI Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual EDI Percentage Rate Filing the following information at a minimum: (a) computation of the EDI Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted EDI Investment Amount and Forecasted Economic Development Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted EDI Investment Amount and each projected operational expense comprising the Forecasted Economic Development Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual EDI Percentage Rate Filing.

8. Annual Reconciliation Filing with the Authority


On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the EDI for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this EDI Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred EDI cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

in the computation of the Total EDI Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual EDI Investment Amount and Actual Economic Development Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) 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, (h) the cumulative amount of EDI collected from customers under this Rider, and (i) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.


10. 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.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TRA NO. 19
ORIGINAL SHEET NO. 12-PCOP-1

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.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

“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 - 510999999 – 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:

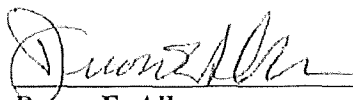
Base Period PCOP Costs from the Relevant Rate Order
Divided by Relevant Rate Order Sales Volume in 100 Gallons
Base Period PCOP Costs per 100 Gallons

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
Divided by Relevant Rate Order Sales Volume in 100 Gallons

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:



Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

(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

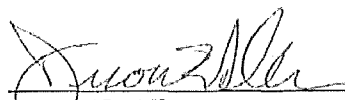
Within 30 days of the end of the most recently authorized Attrition Year set forth in the Relevant Rate Order, and every twelve months subsequent to the end of that Attrition Year, the Company shall submit to the Authority an annual filing calculating the PCOP Percentage Rate. The annual filing shall 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..

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

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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.

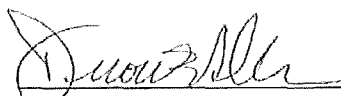
9. Public Interest Review

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.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TRA NO. 19
ORIGINAL SHEET NO. 12-QIIP-1

CLASSIFICATION OF SERVICE**QUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM – 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 Qualified Infrastructure Improvement Program ("QIIP") Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:

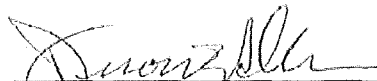
"Actual QIIP Investment Amount" means the amount of actual capital investment of the Company for the Qualified Infrastructure Improvement Program and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Actual QIIP Investment Amounts associated with this Rider shall be included in base rates.

"Annual Reconciliation Factor" means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

"Annual Review Period" means the twelve-month period between the annual adjustments of the QIIP Percentage Rate.

"Authority" means the Tennessee Regulatory Authority.

"Budget-to-Actual Adjustment" means the adjustment to QIIP for the applicable coming annual period due to the difference between the Forecasted QIIP Investment Amount and the Actual QIIP Investment Amount.

ISSUED: March 25, 2014**EFFECTIVE: April 15, 2014****BY:**
Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

“Consumer Advocate” means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

“Forecasted QIIP Investment Amount” means the amount of forecasted capital investment of the Company for the Qualified Infrastructure and Investment Program and not otherwise included in current base rates.

“Over-Under Collection Adjustment” means the adjustment to QIIP for the applicable coming annual period due to the net amount of over or under collections.

“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.

3. General Description

QIIP allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment. For purposes of this Rider, qualifying QIIP investment includes the following:

Distribution Infrastructure – Replacement distribution and transmission mains and valves installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Hydrants, Services, Meters and Meter Installations – installed as in-kind replacements, reinforcements or insuring reliability of existing facilities; Unreimbursed funds related to capital projects to relocate facilities required by governmental highway projects; Capitalized tank repairs and maintenance that serve to replace, reinforce, or otherwise insure reliability of existing facilities.

Production and Pumping Infrastructure – Replacement of water treatment facilities and equipment installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Raw Water and Finished Water pumping equipment and structures installed as replacements, reinforcements or otherwise insuring reliability of existing facilities.

QIIP Investment is to be identifiable on the Company’s books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;

Account 333 – Services;

Account 334 – Meters & Meter Installations;

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:



DERON E. ALLEN
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Account 335 – Hydrants;
Account 320 – Water Treatment Equipment, Non-Media;
Account 311 – Pumping Equipment;
Account 303 – Land and Land Rights;
Account 304 – Structures and Improvements;
Account 306 – Lake, River and Other Intakes;
Account 307 – Wells and Springs;
Account 309 – Supply Mains;
Account 310 – Power Generation Equipment
Account 330 – Distribution Reservoirs and Standpipes; and
Account 330003 – Capitalized Tank Painting.

4. Determination of the Qualified Infrastructure Improvement Program Percentage Rate

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

FORECASTED QIIP Investment Amount

Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)
Less Contributions in Aid of Construction
Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes

Net Forecasted QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted QIIP Pre-Tax Return

Plus Depreciation Expense
Plus Property Taxes
Plus Franchise Taxes

Subtotal Forecasted QIIP Revenue Requirement Before Revenue Tax

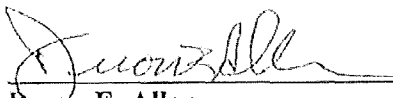
Divided by 1 minus the following:

Forfeited Discounts Rate
Plus Uncollectible Expense Rate

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Plus Gross Receipts Tax Rate

Total Forecasted QIIP Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

QIIP Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted QIIP investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted QIIP infrastructure.

Depreciation Expense = Forecasted cumulative qualified QIIP investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

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

Franchise Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

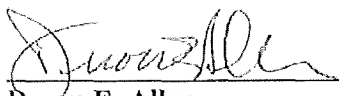
Gross Receipts Tax Rate = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

Property Taxes = Forecasted cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:

Deron E. Allen
PRESIDENT

109 Wicli Street
Chattanooga, Tennessee 37403

QIIP Plant Retirements = Forecasted QIIP plant removed from service net of any associated cost of removal and salvage.

Forecasted QIIP Investment Amount = Average forecasted QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

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

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the QIIP is the QIIP Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment
Plus Interest

Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

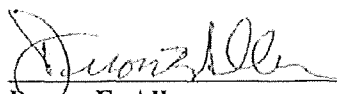
Annual Reconciliation Factor Percentage Rate

- (C) Computation of the Budget-to-Actual Adjustment.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL QIIP Investment Amount for the Annual Review Period
Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)
Less Contributions in Aid of Construction
Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes
Net Actual QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual QIIP Pre-Tax Return
Plus Depreciation Expense
Plus Property Taxes
Plus Franchise Taxes
Subtotal Actual QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
Total Actual QIIP Revenue Requirement

Less Total Forecasted QIIP Revenue Requirement

Budget-to-Actual Adjustment

Where:

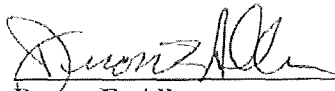
Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual QIIP investment at the beginning and end of the year.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual QIIP infrastructure.

Depreciation Expense = Actual cumulative qualified QIIP investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

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

Franchise Taxes = Actual cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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

Property Taxes = Actual cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

QIIP Plant Retirements = Actual QIIP plant removed from service net of any associated cost of removal and salvage.

Actual QIIP Investment Amount = Average actual QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

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

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

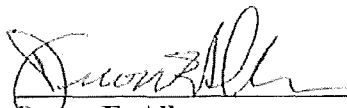
(D) Computation of the Over-Under Collection Adjustment.

The Company will identify and record the total amount of the QIIP Collected from Customers for the Annual Review Period. The difference between the Total QIIP Collected

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

from Customers and the Total Actual QIIP Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest

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.

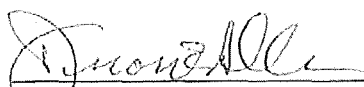
6. New Base Rates

The QIIP 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 QIIP. Thereafter, only the costs of new QIIP eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective QIIP filings.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

7. Annual QIIP Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be verified by an officer of the Company. The Annual QIIP Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted QIIP Investment Amount, with such revenue adjustment applied through the QIIP Percentage Rate. The QIIP Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

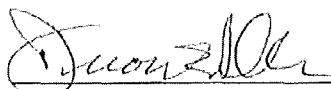
The Company will include in its Annual QIIP Percentage Rate Filing the following information at a minimum: (a) computation of the QIIP Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted QIIP Investment Amount adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) a statement demonstrating how each projected capital investment comprising the Forecasted QIIP Investment Amount meets the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual QIIP Percentage Rate Filing.

8. Annual Reconciliation Filing with the Authority

On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the QIIP for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this QIIP Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred QIIP cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total QIIP Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) a schedule of any proposed prior period adjustments, (f) an affirmative statement of whether the

ISSUED: March 25, 2014**EFFECTIVE: April 15, 2014****BY:**
Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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, (g) the cumulative amount of QIIP collected from customers under this Rider, and (h) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

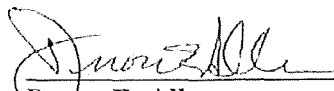
10. Public Interest Review

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.

ISSUED: **March 25, 2014**

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TRA NO. 19

ORIGINAL SHEET NO. 12-RIDERS-1

CLASSIFICATION OF SERVICESUMMARY OF RIDERS1. 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 Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider ("SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

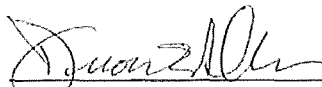
For the Riders defined in the tariffs :

QIIP	0.79 %
EDI	0.18 %
<u>SEC</u>	<u>0.11 %</u>
Subtotal of all Capital Recovery Riders	1.08 %
QIIP Annual Reconciliation Percentage	0.00 %
EDI Annual Reconciliation Percentage	0.00 %
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00 %</u>
Subtotal of all Reconciliation Percentages	0.00 %
Total of Capital Recovery Riders and Reconciliation Percentages	1.08 %
PCOP	-1.15 %

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TRA NO. 19

ORIGINAL SHEET NO. 12-SEC-1

CLASSIFICATION OF SERVICE**SAFETY AND ENVIRONMENTAL COMPLIANCE – 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 Safety and Environmental Compliance Program ("SEC") Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

2. Definitions

For the purposes of this Rider:

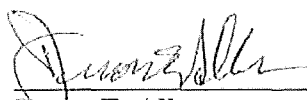
"Actual SEC Investment Amount" means the amount of actual capital investment and associated operating expenses of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Actual SEC Investment Amounts associated with this Rider shall be included in base rates.

"Annual Reconciliation Factor" means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

"Annual Review Period" means the twelve-month period between the annual adjustments of the SEC Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

"Authority" means the Tennessee Regulatory Authority.

"Budget-to-Actual Adjustment" means the adjustment to SEC for the applicable coming annual period due to the difference between the Forecasted SEC Investment and Expense Amount and the Actual SEC Investment and Expense Amount.

ISSUED: March 25, 2014**EFFECTIVE: April 15, 2014****BY:**
Deron E. Allen
PRESIDENT

**109 Wiehl Street
Chattanooga, Tennessee 37403**

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

"Forecasted SEC Investment Amount" means the amount of forecasted capital investment of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates.

"Over-Under Collection Adjustment" means the adjustment to SEC for the applicable coming annual period due to the net amount of over or under collections.

"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.

3. General Description

SEC allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying SEC investment includes the following:

Distribution and Production Infrastructure – Distribution, production, and other infrastructure that may be identified as being for the purpose of safety and environmental compliance.

Safety and Environmental Expenses – Operational expenses similar to other expenses authorized in previous rate cases that are specifically new expenses for safety and environmental compliance or to support safety and environmental compliance utility plant.

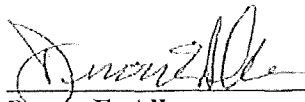
SEC Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;
Account 333 – Services;
Account 334 – Meters & Meter Installations;
Account 335 – Hydrants;
Account 320 – Water Treatment Equipment, Non-Media;
Account 311 – Pumping Equipment;
Account 303 – Land and Land Rights;
Account 304 – Structures and Improvements;
Account 306 – Lake, River and Other Intakes;

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Account 307 – Wells and Springs;
Account 309 – Supply Mains;
Account 310 – Power Generation Equipment
Account 330 – Distribution Reservoirs and Standpipes; and
Account 330003 – Capitalized Tank Painting.

4. Determination of the Safety and Environmental Compliance Program Percentage Rate

(A) The SEC percentage shall be expressed as a percentage carried to two (2) decimal places.
The SEC percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

(B) The SEC percentage shall be calculated on an annual prospective basis as follows:

FORECASTED SEC Investment Amount

Less SEC Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted SEC Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

Plus Franchise Taxes

Plus Safety and Environmental Compliance Operational Expenses

Subtotal Forecasted SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

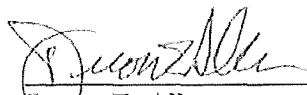
Total Forecasted SEC Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

SEC Percentage Rate

Where:

Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

Accumulated Deferred Income Taxes = An average of the forecasted accumulated deferred income taxes related to qualified forecasted SEC investment at the beginning and end of the year.

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of forecasted SEC infrastructure.

Depreciation Expense = Forecasted cumulative qualified SEC investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

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

Franchise Taxes = Forecasted cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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


Property Taxes = Forecasted cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

SEC Plant Retirements = Forecasted SEC plant removed from service net of any associated cost of removal and salvage.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Forecasted SEC Investment Amount = Average forecasted SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Safety and Environmental Compliance Expenses = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

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

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the SEC is the SEC Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment
Plus Interest
Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

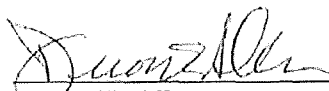
Annual Reconciliation Factor Percentage Rate

- (C) Computation of the Budget-to-Actual Adjustment.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL SEC Investment Amount for the Annual Review Period
Less SEC Plant Retirements (Net of Cost of Removal & Salvage)
Less Contributions in Aid of Construction
Less Accumulated Depreciation
Less Accumulated Deferred Income Taxes
Net Actual SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual SEC Pre-Tax Return
Plus Depreciation Expense
Plus Property Taxes
Plus Franchise Taxes
Plus Safety and Environmental Compliance Operational Expenses
Subtotal Actual SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate
Plus Uncollectible Expense Rate
Plus Gross Receipts Tax Rate
Total Actual SEC Revenue Requirement

Less Total Forecasted SEC Revenue Requirement

Budget-to-Actual Adjustment

Where:


Accumulated Depreciation = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

Accumulated Deferred Income Taxes = An average of the actual accumulated deferred income taxes related to actual SEC investment at the beginning and end of the year.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

Contributions in Aid of Construction = Non-investor supplied funds used in the construction of actual SEC infrastructure.

Depreciation Expense = Actual cumulative qualified SEC investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

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

Franchise Taxes = Actual cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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

Property Taxes = Actual cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

SEC Plant Retirements = Actual SEC plant removed from service net of any associated cost of removal and salvage.

Actual SEC Investment Amount = Average actual SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

Safety and Environmental Compliance Expenses = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

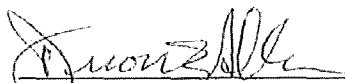
Uncollectible Expense = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

Volumetric & Metered Revenue = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wichl Street
Chattanooga, Tennessee 37403

(D) Computation of the Over-Under Collection Adjustment.

The Company will identify and record the total amount of the SEC Collected from Customers for the Annual Review Period. The difference between the Total SEC Collected from Customers and the Total Actual SEC Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment
Plus Over-Under Collection Adjustment
Plus Earnings Test Adjustment

Total Amount Subject to Interest
Interest Rate Multiplied by 50%

Total Interest

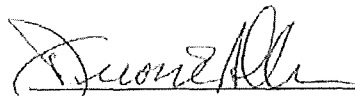
Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

6. New Base Rates

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

The SEC 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 SEC. Thereafter, only the costs of new SEC eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective SEC filings.

7. Annual SEC Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the SEC Percentage Rate for the following calendar year. The Annual SEC Percentage Rate Filing shall be verified by an officer of the Company. The Annual SEC Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted SEC Investment Amount, with such revenue adjustment applied through the SEC Percentage Rate. The SEC Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual SEC Percentage Rate Filing the following information at a minimum: (a) computation of the SEC Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted SEC Investment Amount and Forecasted Safety and Environmental Compliance Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted SEC Investment Amount and each projected operational expense comprising the Forecasted Safety and Environmental Compliance Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual SEC Percentage Rate Filing.


8. Annual Reconciliation Filing with the Authority

On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the SEC for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this SEC Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred SEC cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total SEC Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual SEC Investment Amount and Actual Safety and Environmental Compliance Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) 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, (h) the cumulative amount of SEC collected from customers under this Rider, and (i) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

9. Notice Requirements

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

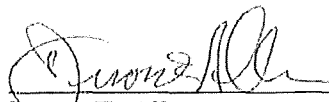
10. Public Interest Review

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.

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403