

BUTLER | SNOW

March 28, 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 Exhibit 2 to the Supplemental Testimony of Gary Verdouw for this matter. Pursuant to a request from TRA Staff, Page 2 of the Exhibit was revised to include the impact of PCOP in addition to the capital riders. Moreover, Pages 13 and 14 of the revised Exhibit were updated to reflect this revised PCOP amount. Please find attached to this letter five (5) paper copies of the Company's revised Exhibit. We electronically filed these documents on March 27, 2014. Please also find enclosed a disc containing the electronic copies of the revised Exhibit in Microsoft Excel format.

We appreciate your filing these documents. 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

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Tennessee American Water Company
 Qualified Infrastructure Improvement Program (QIIP)
 Economic Development Investment Rider (EDI)
 Safety and Environmental Compliance Rider (SEC)
 Summary Page

Line Number	Rate Mechanism	Revenue Requirement w/ Def. Tax, Accum. Depreciation, w/out TRA Gross Up, & with Forfeited Discount Gross Up	Percentage Applied to Bill w/ Def. Tax, Accum. Depreciation, w/out TRA Gross Up & with Forfeited Discounts Gross Up	Revenue Requirement as Filed	Percentage Applied ot Bill as Filed	Impact of Adjustments on Revenue Requirement	Impact of All Adjustments on Percentage Applied to Bill
1							
2	QIIP	\$ 373,273	0.79%	\$ 381,281	0.81%	\$ (8,008)	-0.02%
3							
4	EDI	84,623	0.18%	86,500	0.18%	\$ (1,877)	0.00%
5							
6	SEC	53,015	0.11%	55,042	0.12%	\$ (2,027)	-0.01%
7							
8	Total	<u>\$ 510,911</u>	<u>1.08%</u>	<u>\$ 522,823</u>	<u>1.11%</u>	<u>\$ (11,912)</u>	<u>-0.03%</u>
9							
10							

Tennessee American Water Company
Qualified Infrastructure Improvement Program (QIIP)
Economic Development Rider (EDI)
Safety and Environmental Compliance Rider (SEC)
Average Residential Bill Impact
5/8" Meter and Usage of 5.55 CCF (or 41.54 100 Gallons)

Line Number	Area	Meter Fee	Volumetric Charges	Bill Before Surcharges	QIIP Surcharge at 0.79%	EDI Surcharge at 0.18%	SEC Surcharge at 0.11%	Total Capital Surcharges	PCOP at -1.15%	Total Surcharges
1										
2	Chattanooga	\$ 13.96	\$ 7.60	<u>\$ 21.56</u>	\$ 0.17	\$ 0.04	\$ 0.02	<u>\$ 0.23</u>	\$ (0.25)	<u>\$ (0.02)</u>
3										
4	Lookout Mountain	\$ 15.66	\$ 12.39	<u>\$ 28.05</u>	\$ 0.22	\$ 0.05	\$ 0.03	<u>\$ 0.30</u>	\$ (0.25)	<u>\$ (0.02)</u>
5										
6	Lakeview	\$ 15.66	\$ 9.16	<u>\$ 24.82</u>	\$ 0.20	\$ 0.04	\$ 0.03	<u>\$ 0.27</u>	\$ (0.25)	<u>\$ (0.02)</u>
7										
8	Suck Creek	\$ 30.60	\$ 16.12	<u>\$ 46.72</u>	\$ 0.37	\$ 0.08	\$ 0.05	<u>\$ 0.50</u>	\$ (0.25)	<u>\$ (0.02)</u>
9										
10	Lone Oak	\$ 42.03	\$ 15.65	<u>\$ 57.68</u>	\$ 0.46	\$ 0.10	\$ 0.06	<u>\$ 0.62</u>	\$ (0.25)	<u>\$ (0.02)</u>
11										

**Tennessee American Water
Safety and Environmental Compliance (SEC)
Calculation of SEC Revenue Requirement**

Line Number	Description	Company Totals
1	Additions Subject to SEC:	\$ 270,289
2	Plus: Cost of Removal less Salvage	-
3	Less: Contributions in Aid to Construction (CIAC)	-
	Less: Deferred Income Taxes	1,614
	Less: Accumulated Depreciation	11,687
4	Net Investment Supplied SEC Additions:	<u>\$ 256,987</u>
5		
6	Pre-Tax Rate of Return:	9.45%
7	Pre-Tax Return on Additions:	<u>\$ 24,297</u>
8		
9	Depreciation Expense on SEC Additions:	23,375
10		
11	Property and Franchise Taxes Associated with SEC:	<u>3,652</u>
12		
13	SEC Revenues:	<u>\$ 51,323</u>
14		
15	Revenue Taxes	3.19%
16	Total EDI Revenues with Revenue Taxes	<u><u>\$ 53,015</u></u>
17		
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u><u>\$ 47,073,724</u></u>
19		
20	SEC Percentage to Apply to Bill:	<u><u>0.11%</u></u>
21		

Tennessee American Water Company
Safety and Environmental Compliance (SEC)
Investment Worksheet

		1	2	3	4	5	B	C	6	7	8	9	10	11	
	SEC				= 1 + 2				= 1 + 3 + 5 + 8	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)	
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Accumulated Deferred Income Taxes	Accumulated Depreciaiton	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
1	304200	Computer & Peripheral Equipment													
2		Recurring Projects	\$ 21,525	\$ -	\$ -	\$ 21,525	\$ -	\$ (1,521)	\$ (213)	\$ 19,791	\$ 1,871	\$ 426	\$ 291	\$ 2,588	\$ 2,673
3		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
4		Total QIP	\$ 21,525	\$ -	\$ -	\$ 21,525	\$ -	\$ (1,521)	\$ (213)	\$ 19,791	\$ 1,871	\$ 426	\$ 291	\$ 2,588	\$ 2,673
5															
6	304500	Structures & Improvement - General													
7		Recurring Projects	\$ 70,417	\$ -	\$ -	\$ 70,417	\$ -	\$ (396)	\$ (398)	\$ 69,623	\$ 6,582	\$ 796	\$ 951	\$ 8,329	\$ 8,604
8		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
9		Total QIP	\$ 70,417	\$ -	\$ -	\$ 70,417	\$ -	\$ (396)	\$ (398)	\$ 69,623	\$ 6,582	\$ 796	\$ 951	\$ 8,329	\$ 8,604
10															
11	311520	Pumping Equipment SOS													
12		Recurring Projects	\$ 21,219	\$ -	\$ -	\$ 21,219	\$ -	\$ (14)	\$ (194)	\$ 21,011	\$ 1,986	\$ 388	\$ 287	\$ 2,661	\$ 2,749
13		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
14		Total QIP	\$ 21,219	\$ -	\$ -	\$ 21,219	\$ -	\$ (14)	\$ (194)	\$ 21,011	\$ 1,986	\$ 388	\$ 287	\$ 2,661	\$ 2,749
15															
16	320200	Water Trmt Equip Filter Media													
17		Recurring Projects	\$ 58,170	\$ -	\$ -	\$ 58,170	\$ -	\$ 7,231	\$ (9,799)	\$ 55,602	\$ 5,257	\$ 19,598	\$ 786	\$ 25,640	\$ 26,486
18		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
19		Total QIP	\$ 58,170	\$ -	\$ -	\$ 58,170	\$ -	\$ 7,231	\$ (9,799)	\$ 55,602	\$ 5,257	\$ 19,598	\$ 786	\$ 25,640	\$ 26,486
20															
21	340200	Computer & Peripheral Equipment													
22		Recurring Projects	\$ 98,957	\$ -	\$ -	\$ 98,957	\$ -	\$ (6,913)	\$ (1,084)	\$ 90,960	\$ 8,600	\$ 2,167	\$ 1,337	\$ 12,104	\$ 12,503
23		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
24		Total QIP	\$ 98,957	\$ -	\$ -	\$ 98,957	\$ -	\$ (6,913)	\$ (1,084)	\$ 90,960	\$ 8,600	\$ 2,167	\$ 1,337	\$ 12,104	\$ 12,503
25															
26	340315	Computer Software Special Deprec Rate													
27		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
29		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30															
31	341100	Transportation Equip Lt Duty Trucks													
32		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
34		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35															
36	341200	Transportation Equip Hvy Duty Trucks													
37		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
39		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40															
41	341300	Transportation Equip Autos													
42		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
44		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45															
46	343000	Tools, Shop, Garage Equipment													
47		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
49		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50															
51	331001	Transmission & Distribution Mains													
52		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53		Investment Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
54		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55															

Tennessee American Water Company
Safety and Environmental Compliance (SEC)
Investment Worksheet

			1	2	3	4	5	6	7	8	9	10	11		
		SEC				= 1 + 2		= 1 + 3 + 5 + 8	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)		
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Accumulated Deferred Income Taxes	Accumulated Depreciatoin	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
56	333000	Services													
57	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
58	Investment Projects		-	-	-	-	-	-	-	-	-	-	-	-	-
59	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
60															
61	334100	Meters													
62	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63	Investment Projects		-	-	-	-	-	-	-	-	-	-	-	-	-
64	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
65															
66	334200	Meter Installations													
67	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
68	Investment Projects		-	-	-	-	-	-	-	-	-	-	-	-	-
69	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70															
71	335000	Hydrants													
72	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
73	Investment Projects		-	-	-	-	-	-	-	-	-	-	-	-	-
74	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75															
76															
77															
78	Total		\$ 270,289	\$ -	\$ -	\$ 270,289	\$ -	\$ (1,614)	\$ (11,687)	\$ 256,987	\$ 24,297	\$ 23,375	\$ 3,652	\$ 51,323	\$ 53,015
79															
80															
81															

**Tennessee American Water
Economic Development Investment (EDI)
Calculation of EDI Revenue Requirement**

<u>Line Number</u>	<u>Description</u>	<u>Company Totals</u>
1	Additions Subject to EDI:	\$ 604,569
2	Plus: Cost of Removal less Salvage	-
3	Less: Contributions in Aid to Construction (CIAC)	53,204
	Less: Deferred Income Taxes	(3,632)
	Less: Accumulated Depreciation	11,169
4	Net Investment Supplied EDI Additions:	<u>\$ 543,828</u>
5		
6	Pre-Tax Rate of Return:	9.45%
7	Pre-Tax Return on Additions:	<u>\$ 51,416</u>
8		
9	Depreciation Expense on EDI Additions:	22,339
10		
11	Property and Franchise Taxes Associated with EDI:	<u>8,168</u>
12		
13	EDI Revenues:	<u>\$ 81,923</u>
14		
15	Revenue Taxes	3.19%
16	Total EDI Revenues with Revenue Taxes	<u><u>\$ 84,623</u></u>
17		
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u><u>\$ 47,073,724</u></u>
19		
20	EDI Percentage to Apply to Bill:	<u><u>0.18%</u></u>
21		

Tennessee American Water Company
Economic Development (EDI)
Investment Worksheet

			1	2	3	4	5	B	C	6	7	8	9	10	11
						= 1 + 2				= 1 + 3 + 5 + B	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)
	EDI														
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Accumulated Deferred Income Taxes	Accumulated Depreciation	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
1	304200	Computer & Peripheral Equipment													
2		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5															
6	304500	Structures & Improvement - General													
7		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10															
11	311520	Pumping Equipment SOS													
12		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15															
16	320200	Water Trmt Equip Filter Media													
17		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20															
21	340200	Computer & Peripheral Equipment													
22		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25															
26	340315	Computer Software Special Deprec Rate													
27		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30															
31	341100	Transportation Equip Lt Duty Trucks													
32		Recurring Projects	\$ 2,201	\$ -	\$ -	\$ 2,201	\$ -	\$ (35)	\$ (176)	\$ 1,990	\$ 188	\$ 352	\$ 30	\$ 570	\$ 589
33		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34		Total QIP	\$ 2,201	\$ -	\$ -	\$ 2,201	\$ -	\$ (35)	\$ (176)	\$ 1,990	\$ 188	\$ 352	\$ 30	\$ 570	\$ 589
35															
36	341200	Transportation Equip Hwy Duty Trucks													
37		Recurring Projects	\$ 7,252	\$ -	\$ -	\$ 7,252	\$ -	\$ (96)	\$ (603)	\$ 6,553	\$ 620	\$ 1,205	\$ 98	\$ 1,923	\$ 1,986
38		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39		Total QIP	\$ 7,252	\$ -	\$ -	\$ 7,252	\$ -	\$ (96)	\$ (603)	\$ 6,553	\$ 620	\$ 1,205	\$ 98	\$ 1,923	\$ 1,986
40															
41	341300	Transportation Equip Autos													
42		Recurring Projects	\$ 1,950	\$ -	\$ -	\$ 1,950	\$ -	\$ (66)	\$ (111)	\$ 1,773	\$ 168	\$ 222	\$ 26	\$ 416	\$ 430
43		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44		Total QIP	\$ 1,950	\$ -	\$ -	\$ 1,950	\$ -	\$ (66)	\$ (111)	\$ 1,773	\$ 168	\$ 222	\$ 26	\$ 416	\$ 430
45															
46	343000	Tools, Shop, Garage Equipment													
47		Recurring Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49		Total QIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50															
51	331001	Transmission & Distribution Mains													
52		Recurring Projects	\$ 53,240	\$ -	\$ -	\$ 53,240	\$ -	\$ (157)	\$ (333)	\$ 52,751	\$ 4,987	\$ 665	\$ 719	\$ 6,372	\$ 6,582
53		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
54		Total QIP	\$ 53,240	\$ -	\$ -	\$ 53,240	\$ -	\$ (157)	\$ (333)	\$ 52,751	\$ 4,987	\$ 665	\$ 719	\$ 6,372	\$ 6,582
55															

Tennessee American Water Company
Economic Development (ED)
Investment Worksheet

			1	2	3	4	5	6	7	8	9	10	11		
						= 1 + 2		= 1 + 3 + 5 + 8	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)		
	ED														
Line	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Accumulated Deferred Income Taxes	Accumulated Depreciatlon	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
56	333000	Services													
57	Recurring Projects		\$ 222,449	\$ -	\$ (53,204)	\$ 222,449	\$ -	\$ (591)	\$ (939)	\$ 167,716	\$ 15,856	\$ 1,879	\$ 3,005	\$ 20,741	\$ 21,424
58	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59	Total		\$ 222,449	\$ -	\$ (53,204)	\$ 222,449	\$ -	\$ (591)	\$ (939)	\$ 167,716	\$ 15,856	\$ 1,879	\$ 3,005	\$ 20,741	\$ 21,424
60															
61	334100	Meters													
62	Recurring Projects		\$ 198,041	\$ -	\$ -	\$ 198,041	\$ -	\$ 4,249	\$ (7,397)	\$ 194,894	\$ 18,426	\$ 14,794	\$ 2,676	\$ 35,895	\$ 37,079
63	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64	Total		\$ 198,041	\$ -	\$ -	\$ 198,041	\$ -	\$ 4,249	\$ (7,397)	\$ 194,894	\$ 18,426	\$ 14,794	\$ 2,676	\$ 35,895	\$ 37,079
65															
66	334200	Meter Installations													
67	Recurring Projects		\$ 110,434	\$ -	\$ -	\$ 110,434	\$ -	\$ 316	\$ (1,507)	\$ 109,243	\$ 10,328	\$ 3,015	\$ 1,492	\$ 14,835	\$ 15,324
68	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
69	Total		\$ 110,434	\$ -	\$ -	\$ 110,434	\$ -	\$ 316	\$ (1,507)	\$ 109,243	\$ 10,328	\$ 3,015	\$ 1,492	\$ 14,835	\$ 15,324
70															
71	335000	Hydrants													
72	Recurring Projects		\$ 9,003	\$ -	\$ -	\$ 9,003	\$ -	\$ 11	\$ (104)	\$ 8,910	\$ 842	\$ 207	\$ 122	\$ 1,171	\$ 1,210
73	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74	Total		\$ 9,003	\$ -	\$ -	\$ 9,003	\$ -	\$ 11	\$ (104)	\$ 8,910	\$ 842	\$ 207	\$ 122	\$ 1,171	\$ 1,210
75															
76															
77															
78	Total		\$ 604,569	\$ -	\$ (53,204)	\$ 604,569	\$ -	\$ 3,632	\$ (11,169)	\$ 543,828	\$ 51,416	\$ 22,339	\$ 8,168	\$ 81,923	\$ 84,623
79															
80															
81															
82															
83															

Tennessee American Water
Qualified Infrastructure Improvement Program (QIIP)
Calculation of QIIP Revenue Requirement

Line Number	Description	Company Totals
1	Additions Subject to QIIP:	\$ 2,514,170
2	Plus: Cost of Removal less Salvage	97,710
3	Less: Contributions in Aid to Construction (CIAC)	-
	Less: Deferred Income Taxes	(11,699)
	Less: Accumulated Depreciation	42,224
4	Net Investment Supplied QIIP Additions:	<u>\$ 2,581,355</u>
5		
6	Pre-Tax Rate of Return:	<u>9.45%</u>
7	Pre-Tax Return on Additions:	<u>\$ 244,051</u>
8		
9	Depreciation Expense on QIIP Additions:	84,448
10		
11	Property and Franchise Taxes Associated with QIIP:	\$ 32,862
12		
13	QIIP Revenues:	<u>\$ 361,362</u>
14		
15	Revenue Taxes	<u>3.19%</u>
16	Total QIIP Revenues with Revenue Taxes	<u><u>\$ 373,273</u></u>
17		
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u><u>\$ 47,073,724</u></u>
19		
20	QIIP Percentage to Apply to Bill:	<u><u>0.79%</u></u>
21		

Tennessee American Water Company
Qualified Infrastructure Improvement Program (QIIP)
Investment Worksheet

		1	2	3	4	5	B	C	6	7	8	9	10	11	
					= 1 + 2				= 1 + 3 + 5 + B	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)	
	QIIP														
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Accumulate d Deferred Income Taxes	Accumulated Depreciaton	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
1	304200	Computer & Peripheral Equipment													
2	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Investment Projects		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (1,704)	\$ (239)	\$ 22,408	\$ 2,119	\$ 477	\$ 326	\$ 2,922	\$ 3,018
4	Total QIP		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (1,704)	\$ (239)	\$ 22,408	\$ 2,119	\$ 477	\$ 326	\$ 2,922	\$ 3,018
5															
6	304500	Structures & Improvement - General													
7	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10															
11	311520	Pumping Equipment SOS													
12	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Investment Projects		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (16)	\$ (221)	\$ 24,096	\$ 2,278	\$ 441	\$ 326	\$ 3,045	\$ 3,146
14	Total QIP		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (16)	\$ (221)	\$ 24,096	\$ 2,278	\$ 441	\$ 326	\$ 3,045	\$ 3,146
15															
16	320200	Water Trmt Equip Filter Media													
17	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Investment Projects		\$ 32,150	\$ -	\$ -	\$ 32,150	\$ -	\$ 3,996	\$ (5,416)	\$ 36,146	\$ 3,417	\$ 10,831	\$ 434	\$ 14,683	\$ 15,167
19	Total QIP		\$ 32,150	\$ -	\$ -	\$ 32,150	\$ -	\$ 3,996	\$ (5,416)	\$ 36,146	\$ 3,417	\$ 10,831	\$ 434	\$ 14,683	\$ 15,167
20															
21	340200	Computer & Peripheral Equipment													
22	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25															
26	340315	Computer Software Special Deprec Rate													
27	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30															
31	341100	Transportation Equip Lt Duty Trucks													
32	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35															
36	341200	Transportation Equip Hvy Duty Trucks													
37	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40															
41	341300	Transportation Equip Autos													
42	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45															
46	343000	Tools, Shop, Garage Equipment													
47	Recurring Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49	Total QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50															
51	331001	Transmission & Distribution Mains													
52	Recurring Projects		\$ 1,138,355	\$ (17,198)	\$ -	\$ 1,121,157	\$ 20,531	\$ (3,433)	\$ (7,007)	\$ 1,155,453	\$ 109,241	\$ 14,014	\$ 15,148	\$ 138,403	\$ 142,965
53	Investment Projects		\$ 455,458	\$ -	\$ -	\$ 455,458	\$ -	\$ (1,340)	\$ (2,847)	\$ 454,118	\$ 42,934	\$ 5,693	\$ 6,154	\$ 54,781	\$ 56,587
54	Total QIP		\$ 1,593,813	\$ (17,198)	\$ -	\$ 1,576,615	\$ 20,531	\$ (4,773)	\$ (9,854)	\$ 1,609,571	\$ 152,175	\$ 19,708	\$ 21,301	\$ 193,184	\$ 199,552
55															

Tennessee American Water Company
Qualified Infrastructure Improvement Program (QIIP)
Investment Worksheet

		1	2	3	4	5	8	C	6	7	8	9	10	11	
					= 1 + 2				= 1 + 3 + 5 + 8	= 6 x 9.4522%	= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)	
	QIIP														
							Accumulate d Deferred								
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	Income Taxes	Accumulated Depreciaton	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
56	333000	Services													
57	Recurring Projects		\$ 138,934	\$ (11,899)	\$ -	\$ 127,035	\$ 14,205	\$ (537)	\$ (705)	\$ 152,603	\$ 14,428	\$ 1,410	\$ 1,716	\$ 17,554	\$ 18,133
58	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59	Total		\$ 138,934	\$ (11,899)	\$ -	\$ 127,035	\$ 14,205	\$ (537)	\$ (705)	\$ 152,603	\$ 14,428	\$ 1,410	\$ 1,716	\$ 17,554	\$ 18,133
60															
61	334100	Meters													
62	Recurring Projects		\$ 260,397	\$ (2,515)	\$ -	\$ 257,882	\$ 3,002	\$ 5,513	\$ (9,632)	\$ 268,912	\$ 25,424	\$ 19,264	\$ 3,484	\$ 48,172	\$ 49,760
63	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64	Total		\$ 260,397	\$ (2,515)	\$ -	\$ 257,882	\$ 3,002	\$ 5,513	\$ (9,632)	\$ 268,912	\$ 25,424	\$ 19,264	\$ 3,484	\$ 48,172	\$ 49,760
65															
66	334200	Meter Installations													
67	Recurring Projects		\$ 98,771	\$ (48,400)	\$ -	\$ 50,371	\$ 57,779	\$ (235)	\$ (688)	\$ 156,315	\$ 14,779	\$ 1,375	\$ 681	\$ 16,834	\$ 17,389
68	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
69	Total		\$ 98,771	\$ (48,400)	\$ -	\$ 50,371	\$ 57,779	\$ (235)	\$ (688)	\$ 156,315	\$ 14,779	\$ 1,375	\$ 681	\$ 16,834	\$ 17,389
70															
71	335000	Hydrants													
72	Recurring Projects		\$ 78,546	\$ (1,837)	\$ -	\$ 76,710	\$ 2,193	\$ 76	\$ (882)	\$ 80,815	\$ 7,641	\$ 1,764	\$ 1,036	\$ 10,441	\$ 10,785
73	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74	Total		\$ 78,546	\$ (1,837)	\$ -	\$ 76,710	\$ 2,193	\$ 76	\$ (882)	\$ 80,815	\$ 7,641	\$ 1,764	\$ 1,036	\$ 10,441	\$ 10,785
75															
76	330003	Tank Repainting													
77	Recurring Projects		\$ 263,333	\$ -	\$ -	\$ 263,333	\$ -	\$ 9,379	\$ (14,589)	\$ 272,712	\$ 25,783	\$ 29,177	\$ 3,558	\$ 58,518	\$ 60,447
78	Investment Projects		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
79	Total		\$ 263,333	\$ -	\$ -	\$ 263,333	\$ -	\$ 9,379	\$ (14,589)	\$ 272,712	\$ 25,783	\$ 29,177	\$ 3,558	\$ 58,518	\$ 60,447
80															
81															
82															
83	Total		\$ 2,514,170	\$ (81,849)	\$ -	\$ 2,432,321	\$ 97,710	\$ 11,699	\$ (42,224)	\$ 2,581,355	\$ 248,043	\$ 84,448	\$ 32,862	\$ 365,354	\$ 377,397
84															
85															

Tennessee American Water Company
Pre Tax Rate of Return & Revenue Conversion Factors

Last Rate Order:

PTR = ((WCCE +WCPE) * PTRCF) + WCLTD +WSTD	<u>9.4544%</u>
Reconciliation component	0.0000%
Weighted Cost of Common Equity (WCCE)	3.4380%
Weighted Cost of Preferred Equity (WCPE)	0.0015%
Weighted Cost of Long-Term Debt (WCLTD)	3.7620%
Weighted Cost of Short- Term Debt (WCSTD)	0.0330%
(from Settlement agreement)	
Gross Revenue Conversion Factor (PTRCF): 1/(1-PPRT)(1-SIT)(1-FIT)	1.645413

PreTax ROR Conv. Factor

State Excise Tax	0.065	0.065 From Settlement agreement
Balance (1.0-.065)		0.935
Fed Inc. Tax (.935*.35)	0.35	0.32725 From Settlement agreement
Combined Tax Rate (.065 + .32725)		0.39225
Balance (1.0-.39225)		0.60775
PreTax ROR Conv. Factor		<u>1.64541341</u>

Revenue Taxes:

Uncol. Exp	1.057% From Settlement Agreement - Does not include forfeited discounts
TRA Fee	From House Bill 191
GR Tax	3.000% From Settlement Agreement
Forfeited Discounts	<u>-0.866%</u>
Total Rev. Taxes	<u>3.191%</u>

Projection of Annual Revenues from Last Rate Order:	\$ 47,073,724
Projection of Annual Sales from Last Order in 100 Gallons	100,589,065

Tennessee American Water Company
Docket No. 13-00130
First Discovery Request of the Tennessee Regulatory Authority, Number 55
Sample Calculation of Production Costs and Other Pass-Throughs ("PCOP") Including Non-Revenue Water
To Determine PCOP Tariff Rider
Actuals for the Year Ending November 30, 2013

Line Number	Description	Amount
<u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$ 4,062,167
2	Pro Forma Water Sales (WS) in 100 Gallons	100,589,065
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$ 0.04038</u>
<u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs vs. the Base Rate Cost (**):</u>		
4	Actual Production Costs and Other Pass-Throughs	\$ 3,375,082
5	Actual Water Sales (100 Gallons)	95,919,225
6	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 4 / Line 5)	\$ 0.03519
7	Base Rate Cost per 100 Gallons WS (Line 3)	\$ 0.04038
8	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 - Line 7)	\$ (0.00520)
9	Base Rate Case Water Sales 100 Gallons (Line 2)	100,589,065
10	Deferral Amount (Line 8 * Line 9)	<u>\$ (522,769)</u>
<u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u>		
11	Total Deferred Amount (Line 10)	\$ (522,769)
12	Total Deferred Amount Grossed Up for revenue taxes (sum of Gross Receipts)	
13	Total Deferred Amount Grossed Up for revenue taxes (sum of Gross Receipts Tax and Uncollectibles (Line 11 / (1.0-.03616)) ('	\$ (542,382)
14	Projected Annual Base Rate Revenue subject to PCOP (*)	<u>47,073,724</u>
15	PCOP % (Line 13 / Line 14)	<u>-1.15%</u>

(*) The numbers are taken from the settlement agreement in Docket No. 12-00049

(**) The numbers are actuals for the year ended November 30, 2013 including Non-Revenue Water for Purchased Power and Chemicals

(***) Assumes Gross Receipts Tax @ 3.0%, Uncollectibles @ 1.0571%, TRA Fee @ 0.4250%, and Forfeited Discount Rate @ -0.8661%

Tennessee American Water Company
Docket No. 13-00130
For the Twelve Months Ending November 30, 2013
PCOP Actual Expenses

Line #	Description	A For the 12 Months Ending 11/30/2013	B **NRW Limited 12 Mos Ending 11/2013 (Column A, Lines 1 and 2 x Line 18 Recoverable %)	C Authorized Amount Per Docket 12-00049	D C - B Difference NRW Limited from Authorized Docket 12-00049	E Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2013	F E - D Adjusted Difference
1	Purchased Water Including Wheeling Charges	\$ 47,102	\$ 47,102	\$ 51,331	\$ (4,229)		\$ (4,229)
2	Purchased Power***	2,428,699	2,223,479	2,678,772	(455,293)		(455,293)
3	Chemicals	795,738	728,500	986,930	(258,430)		(258,430)
4	Waste Disposal	237,656	237,656	213,308	24,348		24,348
5	TRA Inspection Fee	138,344	138,344	131,826	6,518	-	6,518
6							
7	Total	<u>\$ 3,647,539</u>	<u>\$ 3,375,082</u>	<u>\$ 4,062,167</u>	<u>\$ (687,085)</u>	<u>\$ -</u>	<u>\$ (687,085)</u>
8							
9							
10	Sales in 100 Gallons	95,919,225	95,919,225	100,589,065		95,919,225	
11							
12	Cost per 100 Gallons (Line 7 / Line 10)	<u>\$ 0.03803</u>	<u>\$ 0.03519</u>	<u>\$ 0.04038</u>	<u>\$ (0.00520)</u>	<u>\$ -</u>	<u>\$ (0.00520)</u>
	Recoverable % for Production Costs	For the 12 Months Ending 11/30/2013					
13	Sales	95,919,225					
14	System Delivery	125,302,340					
15	Non-Revenue Water % [1 - (Line 13 / Line 14)]	23.4%					
16	Non-Revenue Water % Authorized	15.0%					
17	Variance (If Line 15 > Line 16 then Line 15 - Line 16)	8.4%					
18	Recoverable % (1 - Line 17)	<u>91.6%</u>					

**Non-Revenue Water is only applied to purchased power and chemicals.

*** Purchased Power has been adjusted with the removal of \$145.32 in late fees on EPB bills submitted to the TRA