

BUTLER | SNOW

April 1, 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. This filing revises the calculations on page two of the exhibit filed by TAWC on March 28, 2014. The Company has electronically filed this document.

We appreciate your filing this document in this matter. 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

ButlerSnow 20584855v1

*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

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	\$ 510,911	1.08%	\$ 522,823	1.11%	\$ (11,912)	-0.03%
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>	\$ (0.32)	<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>	\$ (0.29)	<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>	\$ (0.54)	<u>\$ (0.03)</u>
9										
10	Lone Oak	\$ 42.03	\$ 15.65	<u>\$ 57.68</u>	\$ 0.46	\$ 0.10	\$ 0.06	<u>\$ 0.62</u>	\$ (0.66)	<u>\$ (0.04)</u>
11										

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

<u>Line Number</u>	<u>Description</u>	<u>Company Totals</u>
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	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 Depreciatlon	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		
										= (1+2+3)x Depreciation Rate	= (4 x Prop Tax Rate) + (4 x Franchise Rate)	= 7 + 8 + 9	= 10 / (1 - 4.482%)		
	SEC					= 1 + 2			= 1 + 3 + 5 + 8	= 6 x 9.4522%					
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		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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 (ED)
Investment Worksheet

		1	2	3	4	5	B	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%)	
	ED1														
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
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 SDS													
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 Hvy 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	B	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%)
		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
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

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

<u>Line Number</u>	<u>Description</u>	<u>Company Totals</u>
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														
	Investment by Plant						Accumulate d Deferred Income Taxes	Accumulated Depreciatlon	Earnings Basis Net Investment	Earnings Basis x PTR		Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax	
Line #	Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage				Depr Exp				
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	
4	Total QIP		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (1,704)	\$ (239)	\$ 22,408	\$ 2,119	\$ 477	\$ 326	\$ 2,922	
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	
14	Total QIP		\$ 24,113	\$ -	\$ -	\$ 24,113	\$ -	\$ (16)	\$ (221)	\$ 24,096	\$ 2,278	\$ 441	\$ 326	\$ 3,045	
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	
19	Total QIP		\$ 32,150	\$ -	\$ -	\$ 32,150	\$ -	\$ 3,996	\$ (5,416)	\$ 36,146	\$ 3,417	\$ 10,831	\$ 434	\$ 14,683	
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	
53	Investment Projects		\$ 455,458	\$ -	\$ -	\$ 455,458	\$ -	(1,340)	(2,847)	\$ 454,118	\$ 42,934	\$ 5,693	\$ 6,154	\$ 54,781	
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	

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							Accumulate d Deferred							
Line #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop Tax)	Cost of Removal Net of Salvage	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	\$ 138,934	\$ (11,899)	\$ -	\$ 127,035	\$ 14,205	\$ (537)	\$ (705)	\$ 152,603	\$ 14,428	\$ 1,410	\$ 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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 58,518	\$ 60,447
78		Investment Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
79		Total	\$ 263,333	\$ -	\$ -	\$ 263,333	\$ -	\$ 9,379	\$ (14,589)	\$ 272,712	\$ 25,783	\$ 29,177	\$ 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	\$ 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 9.4544%

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 1.64541341

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 -0.866%

Total Rev. Taxes **3.191%**

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 (*)	47,073,724
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	B	C	D	E	F
					C - B		E - D
		For the 12 Months Ending 11/30/2013	**NRW Limited 12 Mos Ending 11/2013 (Column A, Lines 1 and 2 x Line 18 Recoverable %)	Authorized Amount Per Docket 12-00049	Difference NRW Limited from Authorized Docket 12-00049	Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2013	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