BUTLER | SNOW

April 1, 2014

## VIA HAND DELIVERY

Hon. James M. Allison, Chairman c/o Sharla Dillon Tennessee Regulatory Authority 500 Deaderick Street, 4<sup>th</sup> 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

Junard Oduliko

JAO:sc enclosures

cc:

Joe Shirley

Vance Broemel

ButlerSnow 20584855v1

# 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	Def Deprec Gross Ui	e Requirement w/ . Tax, Accum. iation, w/out TRA o, & with Forfeited ount Gross Up	Percentage Applied to Bill w/ Def. Tax, Accum. Depreciation, w/out TRA Gross Up & with Forfeited Discounts Gross Up	Red	Revenue quirement as Filed	Percentage Applied ot Bill as Filed	Adj on	npact of justments Revenue juirement	Impact of All Adjustments on Percentage Applied to Bill
1	OUD	<b>*</b>	272 272	0.700/	_	204 204	0.049/	۸.	(0.000)	0.000/
3	QIIP	\$	373,273	0.79%	>	381,281	0.81%	\$	(8,008)	-0.02%
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	Me	ter Fee	_	umetric harges		Before charges	Surcl	QIIP narge at .79%	Sur	EDI charge 0.18%	Sur	SEC charge 0.11%		l Capital		COP at 1.15%		Total charges
1 2	Chattanooga	\$	13.96	\$	7.60	\$	21.56	\$	0.17	\$	0.04	\$	0.02	\$	0.23	\$	(0.25)	\$	(0.02)
3	ŭ	·		·				•											
4	Lookout Mountain	\$	15.66	\$	12.39	\$	28.05	\$	0.22	\$	0.05	\$	0.03	\$	0.30	\$	(0.32)	\$	(0.02)
5												_					(0.00)		(0.00)
6	Lakeview	\$	15.66	\$	9.16	\$	24.82	\$	0.20	\$	0.04	\$	0.03	\$	0.27	\$	(0.29)	\$	(0.02)
7	Sueli Creeli	÷	20.00	<u>ئ</u>	16 12	۲.	46.72	. ب	0.27	۲.	0.00	۲.	0.05	خ	0.50	٠	(O E 4)	ć	(0.02)
8	Suck Creek	\$	30.60	\$	16.12	<u>\$</u>	46.72	\$	0.37	\$	0.08	\$	0.05	<del>-</del>	0.50	\$	(0.54)	<u>&gt;</u>	(0.03)
9	Lone Oak	ċ	42.02	ć	15.65	خ	57.68	\$	0.46	خ	0.10	ċ	0.06	ċ	0.62	\$	(0.66)	ć	(0.04)
10	Lone Oak	ş	42.03	Ą	13.03	<u>~</u>	37.00	ې	0.46	ş	0.10	Ą	0.00	<u>ې</u>	0.02	Ş	(0.00)	<u> </u>	(0.04)

11

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

Line Number	Description	Cor	mpany 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:	\$	256,987
5			
6	Pre-Tax Rate of Return:		9.45%
7	Pre-Tax Return on Additions:	\$	24,297
8			
9	Depreciation Expense on SEC Additions:		23,375
10			
11	Property and Franchise Taxes Associated with SEC:		3,652
12			
13	SEC Revenues:	\$	51,323
14			
15	Revenue Taxes		3.19%
16	Total EDI Revenues with Revenue Taxes	\$	53,015
17			-
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	\$	47,073,724
19			
20	SEC Percentage to Apply to Bill:		0.11%
21			

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

			1		3		4		5		В	с			7	<del></del>	8 =(1+2+3)	× -	9 = (4 x Prop Tax		10		11
	_	SEC	-			<b>= 1</b>	+ 2						= 1 + 3	+ 5 +B	= 6 x 9.4	522%	Depreciati Rate	on	Rate) + (4 x Franchise Rate)	= 7	7+8+9		0 / (1 - 182%)
Une #	Investment by Plant Account	Account Description	Additions	Retirements	CIAC	Net Inve			Removal Salvage	Defer	umulated red Income Taxes	Accumulated Depreciaiton	Earning Net Invo		Earnings x PT		Depr Ex	<u> </u>	Prop Tax & Franchise Fees		al Before enue Tax		al With nue Tax
1 2	Recurring Projects	Computer & Peripheral Equipment	\$ 21,525	s -	\$ -	\$	21,525	\$	_	s	(1,521)	\$ {213		19,791	۲	1,871	<	426	\$ 291	s	2,588	s	2,673
3	Investment Projects						-			_							\$		s				
4	Total QIP		\$ 21,525	<u>s</u> -	<u>s -</u>	<u> </u>	21,525	\$		\$	(1,521)	\$ (213	\$	19,791	\$	1,871	\$	426	\$ 291	<u>s</u>	2,588	\$	2,673
5 6	304500	Structures & Improvement - General																					
7	Recurring Projects		\$ 70,417	\$ -	\$ -	\$	70,417	\$	-	\$	(396)	\$ (398	S	69,623	\$	6,582	\$	796	\$ 951	\$	8,329	\$	8,604
8 9	Investment Projects Total QIP		\$ 70,417	<u> </u>	\$ -	5	70,417	Ś	<del></del>	Ś	(396)	\$ {398	s	69,623	Ś	6,582	\$	796	\$ 951	\$	8,329	\$	8,604
10				-	·						-								-				
11 12	311520 Recurring Projects	Pumping Equipment SOS	\$ 21,219	\$ -	\$ -	\$	21,219	\$	-	\$	(14)	\$ (194	) S	21,011	\$	1,986	\$	388	\$ 287	\$	2,661	\$	2,749
13 14	Investment Projects Total QIP		\$ 21,219	· ·	\$ -		21,219	\$	<del>-</del>	s	(14)	\$ (194	5	21,011	ς	1,986	\$	388	\$ - \$ 287	Ś	2,661	\$	2,749
15	10tal QIF		3 22,213	·	· —	- <u>-</u>	22,213	<u> </u>		Ť	12.17		<u> </u>	12,012	<u> </u>	2,500	<u> </u>		<u> </u>			<u> </u>	
16	320200	Water Trmt Equip Filter Media	\$ 58,170	\$ -	\$ -	\$	58,170			\$	7,231	\$ (9,799		55,602	\$	5,257	\$ 19,	598	\$ 786	s	25,640	¢	26,486
17 18	Recurring Projects Investment Projects		5 58,170			>	58,170	>		Þ	- 7,231			-			\$		\$ -	,	-		-
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 24	Investment Projects Total QIP		\$ 98,957	- <u>-</u>	\$ -	<u> </u>	98,957	Ś	<del></del>	-	(6,913)	\$ (1,084	5	90,960	· s	8,600	5 2	167	\$ - \$ 1,337	5	12,104	\$	12,503
25	rotal Qii		30,551		· —	<u> </u>	30,551				(0,525)	12,000	<u></u>			.,		-	<del></del>	<u> </u>		<u> </u>	
26	340315	Computer Software Special Deprec Rate	\$ -	s -	s -	s		s		\$	_	s -	\$	-	\$		s	_	s -	\$		s	
27 28	Recurring Projects Investment Projects		\$ -	\$ - -		\$	-	Þ	-	>	-		3	-	•	-	\$		\$ -				
29	Total QIP		S -	\$ -	\$ -	\$		\$		\$		\$ -	\$		\$	-	5	Ξ:	\$ -	S		\$	
30 31	341100	Transportation Equip Lt Duty Trucks																					
32	Recurring Projects	manapartation Equip Et Batty Matte	\$ -	\$ -	\$ -	s	-	\$	-	\$	-	\$ .	\$	-	\$	-	\$	-	\$ -	\$	-	\$	-
33 34	Investment Projects Total QIP		<u> </u>	· ·	<u> </u>	- <u>-</u>		Ś				<u> </u>			-		\$	<u> </u>	\$ - S -	-	<u> </u>	-	
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36	341200	Transportation Equip Hvy Duty Trucks	_	\$ -	s -	s		s		s		\$ -	\$		\$		s		s -	\$		\$	
37 38	Recurring Projects Investment Projects		\$ -	, .	> -	3		÷	-	,		-	3	-	,		\$		\$ -	,	-	,	-
39	Total QIP		\$ -	\$ -	\$ -	\$		\$		\$		5 -	\$	-	\$		S	Ξ.	\$ -	\$	-	\$	
40 41	341300	Transportation Equip Autos																					
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45	iotal qir		3	<del></del>				<u> </u>					- <del></del>							. <u> </u>			
46	343000	Tools, Shop, Garage Equipment			_												_					_	
47 48	Recurring Projects Investment Projects		\$ -	\$ -	\$ -	\$	-	\$	-	\$	-	\$ -	\$	- 1	\$	-	\$ \$	-	\$ - \$ -	\$		>	-
49	Total QIP		ş -	\$ -	ş .	\$	-	\$		\$		\$ -	\$	-	\$	<u> </u>	\$	_	\$ -	\$	*	\$	
50 51	331001	Transmission & Distribution Mains																					
52	Recurring Projects	riansimission of Distribution Mains	ş -	\$ -	\$ -	\$	-	\$		\$		\$ -	\$		\$		\$	-	\$ -	\$	-	\$	
53	Investment Projects								-	_	<u> </u>			-	-		\$		<u>\$</u> -		-	-	<u> </u>
54 55	Total QIP		5 -	<u> </u>	<u> </u>	_ <u>&gt;</u>		>	-	>	-	<u> </u>		<u> </u>	<u>,                                     </u>	<u> </u>	-		<u></u>			<u> </u>	
23																							

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

				1	2	3		4		5		В		c		6						9		10	11	
		SEC						= 1 + 2							= 1+	3 + 5 +B	= 6 x 9	.4522%	Depre	2+3)x ciation ate	Rate	Prop Tax e) + {4 x nise Rate}	= 7 -	+8+9	= 10 / (1 4.482%)	
Line#	Investment by Plant Account	Account Description	Addi	itions	Retiremen	ts CIAC		nvestments r Prop Tax)		f Removal of Salvage	Defer	smulated red Income Taxes		mulated ecialton		ngs Basis vestment	Earning x P		Dep	r Exp		o Tax & hise Fees		Before nue Tax	Total Wit Revenue T	
56 57	333000 Recurring Projects	Services	e		s -	<b>s</b> -	s		s		s		s		Ś		s		٥.		<		s		s	
58	Investment Projects		,	-		, .	•	-	3		,		,		,		,		Š		Š		,		•	
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60						_																				
61	334100	Meters																								
62	Recurring Projects		\$	-	\$ -	\$ -	\$	-	\$		\$		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	
63	Investment Projects			-						<u> </u>									\$		\$					·
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66	334200	Meter installations							\$												Ś					
67	Recurring Projects		\$	-	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	s	-	,	-	\$	•	S	•
68 69	Investment Projects Total		-	<del></del>	<u> </u>	<del></del>	<u> </u>	<del></del>	<u>s</u>	<del></del>	5	<del></del>	S		<u>s</u>	<del></del>	5	<del></del> -	3	<del>-</del>	-		5	<u>-</u>	5	<u>.                                    </u>
70	Total		3		-		_ <u> </u>		<u> </u>		<u> </u>				<u> </u>			<u> </u>	<u> </u>		<u> </u>		<u> </u>		<u> </u>	_
70	335000	Hydrants																								
72	Recurring Projects	.,	Ś		ς .	\$ .	Ś		\$		s	-	\$		s		\$		\$	-	\$	-	\$	-	\$	-
73	Investment Projects						•	-		-		-						-	\$	-	\$	-		-		-
74	Total		s	-	\$ -	\$ -	\$	-	\$		\$		\$	-	\$	-	\$		\$		\$		\$	-	\$	-
75																										
76																										
77																										
78	Total		\$	270,289	\$ -	5 -		270,289	5		\$	(1,614)	\$	(11,687)	\$	256,987	\$	24,297	5	23,375	\$	3,652	\$	51,323	\$ 53,	015
79																										
80																										
81																										

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

Line Number	Description	Cor	npany Totals
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:	\$	543,828
5			
6	Pre-Tax Rate of Return:		9.45%
7	Pre-Tax Return on Additions:	\$	51,416
8			
9	Depreciation Expense on EDI Additions:		22,339
10			
11	Property and Franchise Taxes Associated with EDI:		8,168
12			
13	EDI Revenues:	\$	81,923
14			
15	Revenue Taxes		3.19%
16	Total EDI Revenues with Revenue Taxes	\$	84,623
17			
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	\$	47,073,724
19			
20	EDI Percentage to Apply to Bill:		0.18%
21			

## Tennessee American Water Company Economic Development (EDI) Investment Worksheet

			11	2	3	4	5	В		С	6	7	8	9	10	11
	_	EDI				=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%)
# A	evestment by Plant ccount	Account Description	Additions	Retirements	CIAC	Net Investments (for Prop	Cost of Removal Net of Salvage	Accumulate Deferred Inco Taxes	me A	occumulated Depreciaiton	Earnings Basis Net Investment	Earnings Basis x PTR	Depr Exp	Prop Tax & Franchise Fees	Total Before Revenue Tax	Total With Revenue Tax
2	04200 Recurring Projects Investment Projects	Computer & Peripheral Equipment	\$ -	\$ -	\$ -	\$ -	\$ .	\$	\$		\$ - \$ -	s -	\$ - \$ -	\$ - \$	\$ ·	\$ -
	Total QIP		\$ -	\$ -	\$ -	\$	š -	\$	\$		<u>\$</u> -	\$ -	\$	\$ -	\$ -	5 -
7 R	04500 ecurring Projects	Structures & Improvement - General	\$ -	\$ -	\$ -	\$ .	\$ -	\$	s - \$	-	s -	\$ -	\$ -	\$ -	\$ -	\$ -
	svestment Projects otal QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$		\$ -	\$ -	\$ -	5 -	\$	\$ -
11 <u>3</u> 12 R	11520 ecurring Projects	Pumping Equipment SOS	\$ -	\$ -	\$ -	\$ -	s -	\$	<b>\$</b>	÷	ş -	\$ -	\$ -	s -	\$ -	\$ -
	ovestment Projects otal QIP		\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$		\$ -	\$ -	\$ -	\$ :	\$ -	\$ -
16 <u>3</u> 17 F	20200 lecurring Projects	Water Trmt Equip Filter Media	\$ -	\$ -	\$ -	\$ -	\$ -	\$	. \$	-	s -	s -	s -	s -	\$ -	\$ -
	nvestment Projects Otal QIP		\$ -	3 -	\$ -	\$ -	\$ -	\$	\$		\$ -	\$ -	\$ -	\$ <u>-</u>	\$ -	\$ -
22 F	40200 Lecurring Projects	Computer & Peripheral Equipment	s -	\$ -	\$ -	\$ -	ş -	\$	s	-	s -	\$ -	S -	\$ -	\$ -	\$ -
	nvestment Projects otal QIP		\$ -	\$ -	\$ -	\$ :	\$ -	\$	\$		\$ -	<u>s</u> -	<u> </u>	\$ -	\$ -	\$ -
27 F	40315 Recurring Projects Investment Projects	Computer Software Special Deprec Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$	- \$		\$ -	\$ -	\$ -	\$ -	\$ -	s -
29 7 30	Total QIP		\$ -	<u> </u>	\$ -	\$ -	\$ -	\$	- \$		<u>s</u> -	\$ -	\$ -	\$ -	\$ -	<u>\$</u>
32 F	P41100 Recurring Projects Investment Projects	Transportation Equip Lt Duty Trucks	\$ 2,201	. \$ -	\$ -	\$ 2,201	ş -	\$	(35) \$	(176)	\$ 1,990	\$ 188 \$ -	\$ 352 \$ -	\$ 30	\$ 570 \$	\$ 589
34 T 35	otal QIP		\$ 2,201	<u>\$ -</u>	\$ -	\$ 2,201	\$ -	\$	(35) \$	(175)	\$ 1,990	\$ 188	\$ 352	\$ 30	\$ 570	\$ 589
37	Recurring Projects  Nestment Projects	Transportation Equip Hvy Duty Trucks	\$ 7,252 \$ -	: \$ - \$ -	\$ - \$ -	\$ 7,252 \$	\$ - \$	\$	(96) \$ -	(603)	\$ 6,553 \$ -	\$ 620 \$ -	\$ 1,205 \$ .	\$ 98 \$ -	\$ 1,923 \$ -	\$ 1,986
39 °	Total QIP		\$ 7,25	\$ -	\$ -	\$ 7,252	\$ -	\$	(96) \$	(603)	\$ 6,553	\$ 620	\$ 1,205	\$ 98	\$ 1,923	\$ 1,986
42 1	Recurring Projects  Nestment Projects	Transportation Equip Autos	\$ 1,950 \$ -	\$ -	\$ - \$ -	\$ 1,950 \$	\$ - \$ -	_	(66) \$	(111)	ş <u>.</u>	<u>s</u> -	<u>s</u> -	<u>s -</u>	s -	-
45	Total QIP	Tark Char Comer Seriement	\$ 1,950	<u>s - </u>	\$ -	\$ 1,950	<u>\$</u> -	\$	(66) \$	(111)	\$ 1,773	\$ 168	\$ 222	\$ 26	\$ 416	S 430
47 48	Recurring Projects Investment Projects	Tools, Shop, Garage Equipment	\$ - \$ -	\$ - ° \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$	- \$	-	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ -
50	Total QIP 331001	Transmission & Distribution Mains	\$ -	<u> </u>	<u>s -</u>	<u>s -</u>	\$ -	<u> </u>	- \$		<u>s</u> -	\$ -	<u> </u>	<u>s -</u>	<u>s </u>	<u>s</u> -
52 53	Recurring Projects Investment Projects	Translitization of State portion Mights	\$ 53,246 \$ -	<u>s</u> -	\$ - \$ -	\$ 53,240 \$ -	\$ -		157} \$	(333)	\$ -	<u>s</u> -	\$ 665 \$ -	s -	\$ -	-
54 55	Total QIP		\$ 53,24	\$ -	<u>s -</u>	\$ 53,240	\$ -	\$ (	157) \$	(333)	\$ 52,751	\$ 4,987	\$ 665	\$ 719	\$ 6,372	\$ 6,582

## Tennessee American Water Company Economic Development (EDI) Investment Worksheet

				1	2		3	4		5		В		с		6		7		88		9		10		11
		EDI						= 1 + Z							= 1	+3+5+8	= 6	x 9.4522%	={1+2	+3)x Depreciation Rate	Rat	Prop Tax e) + (4 x hise Rate)	=	7+8+9		0 / (1 - 482%)
Line								Net Investments (for Prop		ost of oval Net		cumulated		Accumulated	£ 0.00	nings Basis	Care	ings Basis			Dro	p Tax &	т.	tal Before	Tot	al With
Line	Investment by Plant Account	Account Description		dditions	Retireme		CIAC	Tax)		alvage		Taxes		Depreciaiton		investment		x PTR		Depr Exp		chise Fees		venue Tax		nue Tax
56	333000	Services		danois	Retiferite	11115	CIAC	144)		aivage		Taxes		Depreciation	144.6	arrestancia		A / (IX		осрі скр	,,,,,,,,	inac rees		TEMBE 12A		THE TON
57	Recurring Projects	Services	٠.	222,449	ġ.		(53,204)	\$ 222,449	s		s	(591)	s	(939)	\$	167,716	\$	15,856	Ś	1,879	Ś	3,005	Ś	20,741	s	21,424
58	Investment Projects		Š		š.		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$ -	Š		•	-			s	-	\$		\$		s		s	-		
59	Total		\$	222,449	\$ -	5	(53,204)	\$ 222,449	5	-	\$	(591)	\$	(939)	\$	167,716	s	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		\$		5 -			\$ -	\$	-					\$		\$		5	-	\$	-	\$			-
64	Total		S	198,041	5 -			\$ 198,041	S.	-	\$	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	5	-	\$	316	\$	(1,507)	\$	109,243	\$	10,328	\$	3,015	ş		\$	14,835	\$	15,324
68	Investment Projects		<u> </u>		<u>\$</u>		-	\$ -	<u> </u>					-	<u>\$</u> _		\$	-	<u>-</u>		\$		<u>\$</u>			45.004
69	Total		\$	110,434	\$ -		-	\$ 110,434	5		\$	316	\$	(1,507)	\$	109,243	<u>s</u>	10,328	\$	3,015	\$	1,492	\$	14,835	\$	15,324
70																										
71	335000	Hydrants	_										_	(404)		8,910		842	s	207	s	122	s	1,171	ċ	1,210
72	Recurring Projects		\$	9,003	\$ -	٠		\$ 9,003	\$	-	\$	11	>		\$	8,910	Ş	842	,	207	,	122	è	1,1/1	,	1,210
73 74	Investment Projects		3	9,003	\$	<u> </u>	<del></del>	\$ 9,003	- ÷		<del>_</del>	11	-	(104)	\$	8,910	÷	842	+	207	<del>-</del>	122	<del>-</del>	1,171	<del>-</del>	1,210
	Total		,	9,003	<u> </u>		<u> </u>	\$ 9,003			<u> </u>		-	(104)	,	6,510		542	<u></u>	207	<u> </u>	122	<u> </u>	4,4/1	<u> </u>	1,210
75 76																										
75																										
78	Total		-	604,569	\$ .	<del></del> -	(53,204)	\$ 604,569	- <u>s</u>		5	3,632	Ś	(11,169)	5	543,828	5	51,416	5	22,339	\$	8,168	5	81,923	5	84,623
79	TOGAL		Ť	554,503	<u> </u>	<u> </u>	(33,204)	3 004,503	<u> </u>		Ť		Ť	(12,200)	Ť		Ť		_		_		<u> </u>		÷	
80																										
81																										
82																										
83																										

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

Line Number	Description	Con	npany Totals
1	Addition Cubicat to OUD	\$	2 514 170
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:	\$	2,581,355
5			
6	Pre-Tax Rate of Return:		9.45%
7	Pre-Tax Return on Additions:	\$	244,051
8		<del></del>	
9	Depreciation Expense on QIIP Additions:		84,448
10			
11	Property and Franchise Taxes Associated with QIIP:	\$	32,862
12			
13	QIIP Revenues:	\$	361,362
14			
15	Revenue Taxes		3.19%
16	Total QIIP Revenues with Revenue Taxes	\$	373,273
17			
18	Volumetric and Metered Revenue as Per Docket No. 12-00049	\$	47,073,724
19			
20	QIIP Percentage to Apply to Bill:		0.79%
21		<del></del>	

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

			1	2	3		4	5	В		С	6				8 ={1+2+3}x	9 = (4 x Prop Tax	10		11
		QIIP				=	1+2					= 1 + 3	+ 5 +B	= 6 x 9.452		Depreciation Rate	Rate) + (4 x Franchise Rate)	= 7 + 8 +	- 9	= 10 / (1 - 4.482%)
	Investment by Plant	QIIF				Not los	estments/	Cost of Removal	Accumulate d Deferred Income		cumulated	Earnings	: Racie	Earnings Basi	'c y		Prop Tax &	Total Bef	ore	Total With
Line #	Account	Account Description	Additions	Retirements	CIAC		rop Tax)	Net of Salvage	Taxes		preciaiton	Net inve		PTR		Depr Exp	Franchise Fees	Revenue		Revenue Tax
1	304200	Computer & Peripheral Equipment																		
2	Recurring Projects		\$ -	\$ -	\$ -	\$		\$ -	\$ -	\$	(220)	\$	22,408	\$ - \$ 2,1		\$ - \$ 477	\$ - \$ 32		- \$ ,922	3,018
3 4	Investment Projects		\$ 24,113	5 -	\$ -	· 5	24,113 24,113	\$ -	\$ (1,704)		(239)		22,408	\$ 2,1		\$ 477	\$ 32		,922 \$	
5	Total QIP		3 24,113		-	<del>-</del>	24,113		3 (1,704)	<u> </u>	(233)		12,400	¥		7		<u> </u>		3,010
6	304500 Recurring Projects	Structures & Improvement - General	s -	s -	\$ -	ş	_	s -	\$ -	\$		\$	_	\$ -		\$ -	\$ -	\$	- 5	s -
8	Investment Projects		\$ -	\$ -	\$ -	\$		\$ -				\$		\$ -		<u>s - </u>	\$ -	<u>\$</u>	<u> </u>	-
9	Total QIP		\$ -	\$ -	\$ -	\$		\$ -	\$ -	\$		\$		\$ -		\$ -	\$ -	<u> </u>	<u>-                                    </u>	s -
10																				
11	311520	Pumping Equipment SOS	•		s -	s		s -	s -	s	_	\$		\$ -		ş -	s -	\$	. 9	٠.
12 13	Recurring Projects Investment Projects		\$ - \$ 24,113	\$ - \$ -	\$ - ¢ -	\$	24,113	\$ -	(16)		(221)	\$	24,096	\$ 2,2		\$ 441	\$ 3:		,045	3,146
14	Total QIP		\$ 24,113 \$ 24,113	\$ -	\$ -	\$	24,113	\$ -	\$ (16)	5	(221)	5	24,096	\$ 2,2		\$ 441	\$ 33		,045	
15																				
16	320200	Water Trmt Equip Filter Media																		
17	Recurring Projects		\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$	-	\$	-	\$ -		\$ -	\$ -	\$	- \$	
18	Investment Projects		\$ 32,150	<u>\$ -</u>	\$ -	· \$	32,150	\$ - \$ -	3,996 \$ 3,996		(5,416) (5,416)	\$	36,146 36,146	\$ 3,4		\$ 10,831 \$ 10,831	\$ 4		,683	15,167 \$ 15,167
19 20	Total QIP		\$ 32,150	\$ -	<u> </u>	· <del></del>	32,150	3 -	\$ 3,996		(5,416)	>	35,145	3 3,4	-1/	\$ 10,831	3 4.	3 14	,063 ;	3 13,167
20	340200	Computer & Peripheral Equipment																		
22	Recurring Projects	compater at respectat equipment	s -	s -	\$ -	s	-	\$ -	ş -	\$	_	\$	-	\$ .		ş -	\$ -	\$	- ;	s -
23	Investment Projects		\$ -	\$ -	\$ -	\$		\$ -				\$		\$ .		\$ -	\$ -	<u>\$</u>	<u> </u>	
24	Total QIP		\$ -	\$ -	\$ -	\$		\$ -	\$ -	\$		\$		\$ .		\$ -	\$ -	\$	<u> </u>	\$
25																				
26	340315	Computer Software Special Deprec Rate			<b>\$</b> -	s		s -	\$ -	\$		s		\$		\$ -	s -	\$		ş -
27 28	Recurring Projects Investment Projects		\$ .	\$ -	٠.	,		• •		,		,	-	\$		\$ -	š -	Ś		
29	Total QIP		\$ -	\$ -	\$ -	- 5		<u>\$</u> -	\$ -	s		\$		\$		\$ .	\$ -	\$		\$ -
30																****				
31	341100	Transportation Equip Lt Duty Trucks																		
32	Recurring Projects		\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$	-	\$	-	\$	•	\$ -	\$ -	\$	- :	\$ -
33	Investment Projects		\$ -	<u>s</u> -	<u>\$ -</u>	<u> </u>		\$ -	·			2		\$	-	<u> </u>	\$ -	<u> </u>	<del>-</del>	-
34 35	Total QIP		\$ -	3 -	<u> </u>	-		> -				-		<del></del>		<del>} ·</del>	<u></u>		<u> </u>	3 -
36	341200	Transportation Equip Hvy Duty Trucks																		
37	Recurring Projects	,,	\$ -	\$ -	\$ -	\$	-	\$ ~	\$ -	\$	-	\$		\$	-	\$ -	\$ -	\$	-	\$ -
38	Investment Projects		\$ -	<u>s</u> -	\$ -	5	-	\$ -	. <u> </u>		-	\$		\$		\$ -	\$ -	\$		
39	Total QIP		\$ -	ş -	<u>\$ -</u>	\$		\$ -	\$ -		-	\$		\$	<u> </u>	<u>\$ -</u>	\$ -	_ \$		\$ -
40																				
41 42		Transportation Equip Autos	\$ -	\$ -	s -	s		s -	\$ -	s		s	_	s		s -	s -	s		s -
43	Recurring Projects Investment Projects		\$ -	\$ -	\$ -	\$		\$ -	· -	,	-	ς .	-	Š		\$ -	Š -	Š	-	-
44	Total QIP		\$ -	<u>\$</u> -	\$ -	- 🕏		s -	\$ -			\$		\$		\$ -	\$ -	<u> </u>		s -
45																				
46	343000	Tools, Shop, Garage Equipment																		
47	Recurring Projects		\$ -	\$ -	\$ -	\$	-	\$ -	\$ -	\$	-	\$	-	\$	-	\$ -	\$ -	\$	-	\$ -
48			\$ -	<u>s -</u>	<u> </u>	<u> </u>		\$ -				\$		\$		\$ -	\$ -	<u>\$</u>	<u> </u>	· -
49	Total QIP		<u> </u>	\$ -	5 -	5		\$ -	\$ -	<del></del>		>	<u> </u>	3	<u> </u>	<u>, , </u>	<u> </u>		<u> </u>	<u> </u>
50	331001	Transmission & Distribution Mains																		
51 52		Harramission of Distribution Mains	\$ 1,138,355	\$ (17,198)	<b>\$</b> -	\$	1,121,157	\$ 20,531	\$ (3,433	3) S	(7,007)	\$ 1	,155,453	\$ 109,	241	\$ 14,014	\$ 15,1	48 \$ 13	3,403	\$ 142,965
53			\$ 455.458	\$ -	\$ -	\$	455,458	\$ -	(1,340		(2,847)		454,118	\$ 42,		\$ 5,693	\$ 6,1		4,781	56,587
54			\$ 1,593,813	\$ (17,198)	\$ -	\$	1,576,615	\$ 20,531	\$ (4,773		(9,854)		,609,571	\$ 152,		\$ 19,708	\$ 21,3			\$ 199,552
55									-											

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

			1	2	3		4		5		В		с		6		7		8	9			10		11
		QIIP	•				= 1 + 2							= 1	+ 3 + 5 +B	<b>- 6</b>	x 9.4522%	Depr	+2+3)x eciation Rate	= (4 x Prop Rate) + (4 Franchise R	×	= 7	+ 8 + 9		0 / (1 - 482%)
										Acc	umulate														
											eferred														
	Investment by Plant					Net	Investments	Cost	of Removal		come	Acci	ımulated	Ears	nings Basis	Earni	ngs Basis x			Prop Tax	&	Tota	Before	Tot	al With
Line #	Account	Account Description	Additions	Retirements	CIAC		r Prop Tax)		of Salvage		axes	Dep	reciaiton	Net I	Investment		PTR	De	pr Exp	Franchise I	ees	Reve	nue Tax	Reve	nue Tax
56	333000	Services																							
57	Recurring Projects		\$ 138,934	\$ (11,899)	\$ -	\$	127,035	\$	14,205	\$	(537)	\$	(705)	\$	152,603	\$	14,428	s	1,410	\$	1,716	\$	17,554	\$	18,133
58	Investment Projects		\$ -	\$ -	\$ -	\$	-	\$	-		-		-	\$	-	\$		\$		\$		\$	-		
59	Total		\$ 138,934	\$ (11,899)	\$ -	5	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)	ş -	\$	50,371	\$	57,779	\$	(235)	\$	(688)	\$	156,315	\$	14,779	\$	1,375	\$	681	\$	16,834	\$	17,389
68	Investment Projects		s -	\$ -	\$ -	\$	-	\$			-			\$		\$	-	\$	-	\$	-	\$	-		-
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)	\$ -	S	76,710	\$	2,193	\$	76	\$	(882)	\$	80,815	\$	7,641	\$	1,764	s	1,036	\$	10,441	\$	10,785
75																									
76	330003	Tank Repainting																							
77	Recurring Projects		\$ 263,333	\$ -	\$ -	\$	263,333	5	-	\$	9,379	5	(14,589)	\$	272,712	\$	25,783	\$	29,177	\$	3,558	\$	58,518	\$	60,447
78	Investment Projects		\$ -	\$ -	\$ -	5	-	S						s		\$		\$	-	\$		\$	-		-
79	Total		\$ 263,333	\$ -	\$ -	\$	263,333	\$		S	9,379	\$	(14,589)	\$	272,712	\$	25,783	5	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	ş	377,397
84																									
85																									

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

Last Rate Ord
---------------

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) (from Settlement agreement)	0.0330%	
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 (1.0065)		0.935
Fed Inc. Tax (.935*.35)	0.35	0.32725 From Settlement agreement
Combined Tax Rate (.065 + .32725)		0.39225
Balance (1.039225)		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

### 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							
I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):								
1	Pro Forma Production Costs and Other Pass-Throughs	\$ 4,062,167						
2	Pro Forma Water Sales (WS) in 100 Gallons							
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	\$ 0.04038						
	culation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs vs. the Base Rate Cost (**):	4 2 275 002						
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)	\$ (522,769)						
III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider								
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 / (1.003616)) (	\$ (542,382)						
14	Projected Annual Base Rate Revenue subject to PCOP (*)	47,073,724						
15	PCOP % (Line 13 / Line 14)	-1.15%						

<sup>(\*)</sup> The numbers are taken from the settlement agreement in Docket No. 12-00049  $\,$ 

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

<sup>(\*\*\*)</sup> 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**

		Α		В		С		D		E			F
Line#	Description	Mo	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		C - B ofference RW Limited of Authorized ocet 12-00049	Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2013		E - D  Adjusted Difference	
1 2 3 4 5	Purchased Water Including Wheeling Charges Purchased Power*** Chemicals Waste Disposal TRA Inspection Fee	\$	47,102 2,428,699 795,738 237,656 138,344	\$	47,102 2,223,479 728,500 237,656 138,344	\$	51,331 2,678,772 986,930 213,308 131,826	\$	(4,229) (455,293) (258,430) 24,348 6,518		-	\$	(4,229) (455,293) (258,430) 24,348 6,518
7 8 9	Total	\$	3,647,539	\$	3,375,082	\$	4,062,167	\$	(687,085)	\$	-	\$	(687,085)
10 11	Sales in 100 Gallons		95,919,225		95,919,225		100,589,065				95,919,225		
12	Cost per 100 Gallons (Line 7 / Line 10)	\$	0.03803	\$	0.03519	\$	0.04038	\$	(0.00520)	\$		\$	(0.00520)
	Recoverable % for Production Costs	M	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)		91.6%										

<sup>\*\*</sup>Non-Revenue Water is only applied to purchased power and chemicals.

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