

January 20, 2015

VIA ELECTRONIC FILING

Hon. Herbert H. Hilliard, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Petition of Tennessee-American Water Company Regarding The 2015 Investment and Related Expenses Under The Qualified Infrastructure Investment Program Rider, The Economic Development Investment Rider, and The Safety and Environmental Compliance Rider, TRA Docket No. 14-00121

Dear Chairman Hilliard:

Attached for filing please find *TAWC's Response to Request for Reconciliation of the Tennessee Regulatory Authority* in the above-captioned matter.

An Excel spreadsheet is also filed electronically.

As required, an original of this filing, along with four (4) hard copies, will follow. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me or Valeria Gomez.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Deron Allen, President, Tennessee-American Water Company
Cynthia Kinser, Deputy Attorney General, Consumer Advocate and Protection Division

**TENNESSEE AMERICAN WATER COMPANY
DOCKET NO. 14-00121
RESPONSE TO REQUEST FOR RECONCILIATION OF THE
TENNESSEE REGULATORY AUTHORITY**

Responsible Witnesses: Linda C. Bridwell

Question:

1. Please provide for each Capital Rider a reconciliation of the rider's Forecasted Investment Amount included in the Tennessee American Water 2015 Capital Recovery Riders Budget approved by Unanimous Consent of the Directors of Tennessee American Water Company on December 26, 2014, with the Plant Account Additions included in each rider's Calculation of Revenue Requirement attached to your testimony filed in this docket.

Response:

In an effort to respond fully to the request, I will first identify the Forecasted Investment Amount for each rider as approved by Unanimous Consent of the Directors of Tennessee American Water Company ("TAWC") on December 26, 2014 and the Plant Account Additions included in each rider's Calculation of Revenue Requirement attached to my testimony filed in this docket. Then I will explain how TAWC determined the Forecasted Investment Amount for the Qualified Infrastructure Improvement Program Rider ("QIIP"), the Economic Development Investment Program Rider ("EDI"), and the Safety and Environmental Compliance Program Rider ("SEC"). I will then walk through the calculation of the Plant Account Additions. Finally, there are six new attachments to this request that first help detail the calculation of the Plant Account Additions, and then reconcile to Forecasted Investment Amount by individual budget line for each rider.

The Forecasted Investment Amount and Plant Account Additions are:

Capital Rider	<u>Forecasted Investment Amount</u> approved by Unanimous Consent of the Directors of TAWC filed December 26, 2014	<u>Plant Account Additions</u> per Direct Testimony filed October 29, 2014	<u>Plant Account Additions</u> per Supplemental Testimony filed December 29, 2014
Qualified Investment Improvement Program	\$4,500,000	\$6,530,250	\$6,530,250
Economic Development Investment Program	\$1,243,000	\$1,758,014	\$1,758,014
Safety and Environmental Compliance Program	\$11,756,203	\$11,054,912	\$11,054,912
Total	\$17,499,203	\$19,343,166	\$19,343,166

Each year, TAWC prepares a Strategic Capital Expenditures Plan, or “SCEP”. The SCEP details the forecasted monthly capital expenditures for Recurring Projects and Investment Projects. Recurring construction includes water main installation for new development, smaller main projects for reinforcement and replacement, service line and meter setting installation, meter purchases and the purchase of tools, furniture, equipment, security measures, and vehicles. Recurring project costs are trended from historical and forecasted data. Investment Projects are major projects that may span more than one year and generally exceed \$500,000. Recurring Projects and Investment Projects are further detailed by different types of projects under each, referred to as RP lines and individual Investment Projects. The 2015 SCEP was attached to Brent O’Neill’s testimony as **Petitioner’s Exhibit 2015 SCEP -- BEO**. The total capital expenditures for 2015 are forecasted at \$19,727,559 as shown on the Exhibit.

The SCEP is also the preliminary basis for determining the capital riders forecast. The **Forecasted Investment Amount** for each of the capital riders, approved by Unanimous Consent of the Directors of TAWC on December 26, 2014 is the amount of capital expenditures in the 2015 SCEP that would be eligible under each of the capital recovery riders. This is determined by TAWC Engineering and Rates personnel after reviewing the projects and the approved capital recovery tariffs. Not every item in the SCEP qualifies for inclusion in the riders, thus the difference between the \$19,727,559 total SCEP expenditures in the **Petitioner’s Exhibit 2015 – BEO** and the **Forecasted Investment Amount** total of \$17,499,203 reflected in the above table.

In December 2014, the Board of Directors of TAWC approved the overall SCEP and the **Forecasted Investment Amount** from the SCEP in each capital recovery rider. Some items in the **Forecasted Investment Amount** will not be placed in service during the forecasted period, but will be eligible in a future period. Any expenditures in the 2015 **Forecasted Investment Amount** that will not be placed in-service in 2015 are not included in the **Plant Account Additions** in this petition for adjustment. This is the case with the Investment Project I26-020032 Citico Plant Improvements Phase 1B, which will be placed in service in 2016 and eligible in 2016 as part of the 2016 SEC Rider **Plant Account Additions**. Therefore \$1.6 million of capital expenditures for this project in 2015 is included in the 2015 SEC Rider **Forecasted Investment Amount** but not in the 2015 SEC Rider **Plant Account Additions**.

In the original filing on October 29, 2014, TAWC provided an excel spreadsheet titled TAW_APP_SCH1_102314.xlsx. This included the exhibits attached to my testimony and the workpapers to support those exhibits. One tab is titled “EXH 2015 SCEP” which is the detailed SCEP with the monthly expenditures and a total for each line under the Recurring Projects and Investment Projects. In that the tab, to the far right there is a column titled ***Surcharge Category*** which identifies which of the lines qualifies under the capital riders, and which capital rider is applicable. If you total the amounts in the lines identified eligible for the QIIP rider and SEC rider, you will get \$4,500,000 and \$11,756,203 which are the QIIP and SEC rider **Forecasted Investment Amounts** approved by the TAWC Board of Directors. The total of \$1,243,000 of **Forecasted Investment Amount** for the EDI rider includes only 25% of the Line O – Vehicles under Recurring Projects, as TAWC anticipates only 25% of the investment will qualify under the rider for alternative fuel investment.

In order to calculate the Plant Account Additions, TAWC calculates a 13 end-of-month average of utility plant in service for December 2014 through December 2015. This calculation is made in that same excel file on a tab labelled “WKP 2015 In-Serviced SCEP”. The December 2014 end-of-month balance of plant under that line is identical to the amount in the Docket 13-00130, and is pulled from the tab labelled “WKP 2014 In-Serviced SCEP”. This is reflected in the column ***Prior 2014 SCEP***.

The end-of-month balances of plant budget additions placed in-service are generally derived in three methods based on project line. The three methods are 1 month in-serviced, 3 months in-serviced or budget date in-serviced. Recurring Project lines utilize either the 1 month in-serviced or the 3 month in-serviced methodology. Investment Project lines always utilize the budget date in-serviced methodology. Each TAWC project line is labeled with the method utilized in column O, titled “In-Service (Months)”. Some TAWC projects may have multiple project lines due to different accounts and depreciation rates for the assets placed in-service. This does not change the total TAWC budget amounts.

Recurring Project Lines – 1 month in-serviced – End-of-Month Balance of Plant Additions Placed In-Service Calculation

The forecast assumes that the full amount for each month’s capital expenditures will be placed in services at the end of the current month. The end-of-month balance will be a cumulative balance of the prior month ending balance plus the current month budget additions.

For example, TAWC Project Line G (Services and Laterals – New), line 24 on tab “WKP 2015 In-Serviced SCEP”, has an end-of-month balance for January 2015 of \$486,000. This is derived from the December 2014 end-of-month balance of \$461,000 plus the TAWC budget additions of \$25,000 for January 2015. The January 2015 budget additions for project line G are located on tab “WKP 2015 SCEP”. The December 2014 end-of-month balance is located on the “WKP 2014 In-Serviced SCEP” tab and was the amount in Docket No. 13-00130.

Recurring Project Lines – 3 month in-serviced – End-of-Month Balance of Plant Additions Placed In-Service Calculation

The forecast assumes that during each month, the amount of capital expenditures to be placed in-service is based on a 3-month average of capital expenditures. The end-of-month balance will be a cumulative balance of the prior month ending balance plus the current month budget additions based on the three-month average.

For example, TAWC Project Line C (Mains - Unscheduled), line 12 on tab “WKP 2015 In-Serviced SCEP”, has an end-of-month balance for January 2015 of \$800,000. This is derived from the December 2014 end-of-month balance of \$746,000 plus the TAWC capital expenditures 3-month average additions of \$54,000 for January 2015. The January 2015 3-month average additions for project line C is calculated by using November 2014, December 2014, and January 2015 budget additions divided by 3. November 2014 and December 2014 budget additions are located on tab “WKP 2014 SCEP”. The January 2015 budget additions are located on tab “WKP 2015 SCEP”. $(\$62,000 + \$50,000 + \$50,000) / 3 = \$54,000$. The December

2014 end-of-month balance is located on the “WKP 2014 In-Serviced SCEP” tab. “WKP 2014 In-Serviced SCEP” identical to the schedule in Docket No. 13-00130.

Investment Project Lines – Budget Date In-Serviced – End-of-Month Balance of Plant Additions Placed In-Service Calculation

The forecast assumes that each month, the capital expenditures will not be placed in-service until the month of the SCEP in-service date. The project will therefore have a plant balance of zero each month until the project is placed in-service. At that time, the cumulative balance of the monthly capital expenditures up to that point will be placed in-service. Each month’s SCEP additions after the forecasted date in-service month will be added to the cumulative in-service balance. The monthly additions that are cumulatively placed in-service in the month of the budget date in-service may span multiple years. Project life cycles for investment projects are longer due to the nature and size of the project.

For example, TAWC Project I26-020032 (Wastewater Treatm't & Handling Impr), line 75 on tab “WKP 2015 In-Serviced SCEP”, has an end-of-month balance for May 2015 of \$14,200,000, while prior to that month the end-of-month balance is zero. TAWC Project I26-020032 has budget date in-service of 5/31/2015. The May 2015 balance is then calculated from the April 2015 end-of-month balance of \$0 plus the TAWC cumulative additions of \$14,200,000. The cumulative budget additions for project I26-020032 is an inception-to-date amount calculated by using the full year 2014 budget additions, the 2014 SCEP re-forecast amount, and January-May 2015 budget additions. Full year 2014 budget additions are located on tab “WKP 2014 SCEP”. The 2014 SCEP re-forecast amount is located on tab “WKP 2015 In-Serviced SCEP”. As explained in Mr. O’Neill’s testimony this project saw a significant increase in cost after the 2014 SECP was approved. Without including this 2014 re-forecast on that project, the in-service amount would reflect plant balances that were not included in the 2014 SEC rider on this project or the 2015 capital expenditures on this project. The January-May 2015 capital expenditures are located on tab “WKP 2015 SCEP”. $(\$2,000,000 + \$6,150,000 + \$6,050,000) = \$14,200,000$.

In the next month, June 2015, the end-of-month balance is \$14,800,000 for TAWC Project I26-020032. This is derived from the May 2015 end-of-month balance of \$14,200,000 plus the TAWC budget additions of \$600,000 for June 2015. The June 2015 budget additions for project I26-020032 are located on tab “WKP 2015 SCEP”.

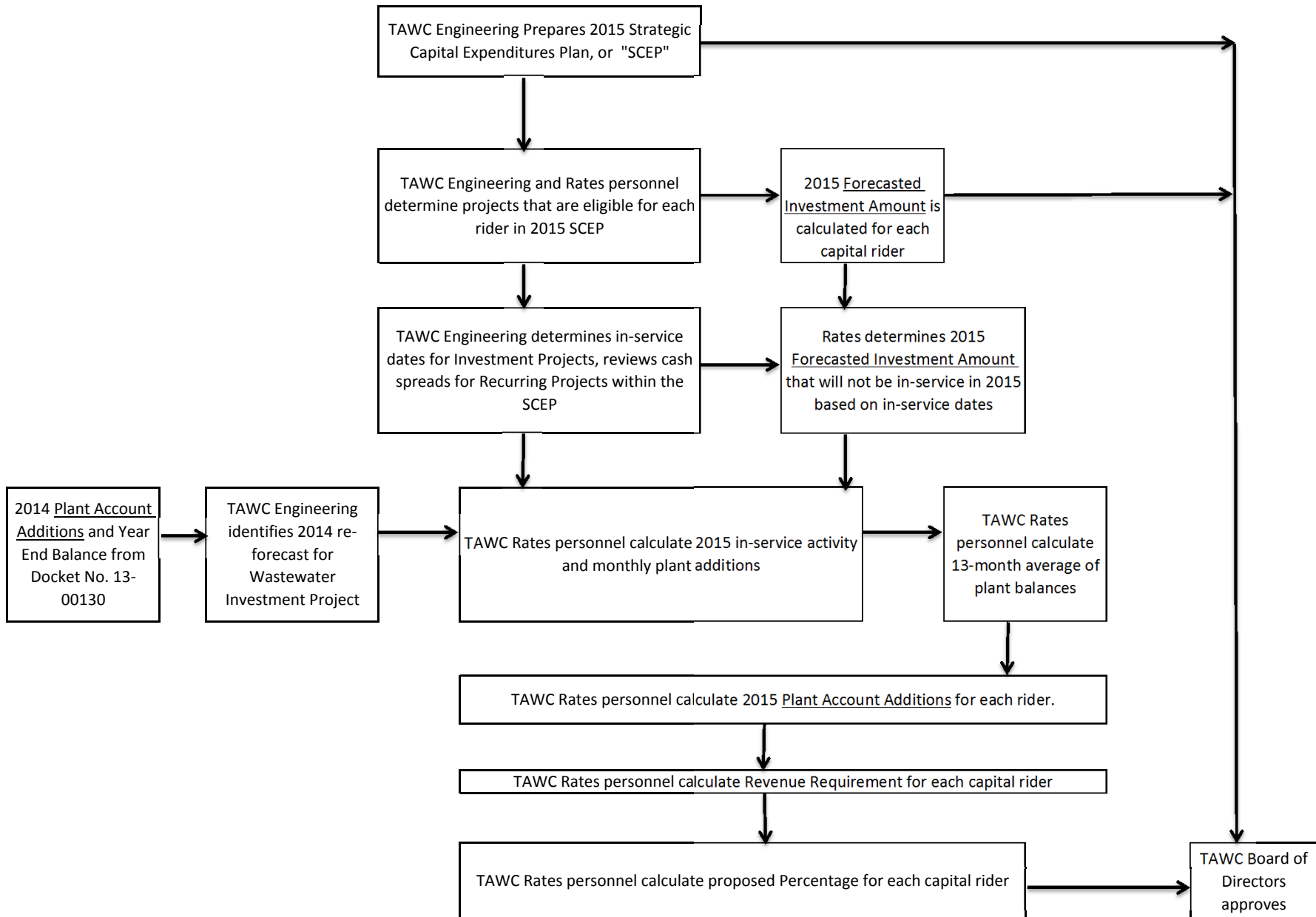
The excel spreadsheet was revised on December 29, 2014 to reduce the operational expenses and correct a typo in a header on the Summary tab, and refiled as TAW_APP_SCH1_122914.xlsx. None of the SCEP numbers, or Plant Account Additions changed as a result.

In response to this request for clarification, TAWC has created a new excel file titled TAW_R_TRA_SCH1_012015.xlsx. The only change in this new file is to create two new exhibits for each of the riders. They are attached in pdf format to this response, as well as the excel spreadsheet.

New Summary Detail

In the revised spreadsheet, tabs labelled “EXH SEC 3”, “EXH EDI 3”, and “EXH QIIP 3” are merely taking the tabs, “EXH SEC 1”, “EXH EDI 1”, and “EXH QIIP 1” and walking through the calculation of the revenue requirement with the detail of each of the lines under Recurring Projects and Investment Projects. TAWC has also included a column to provide the source data within the excel spreadsheet.

Tabs labelled “EXH SEC 4”, “EXH EDI 4”, and “EXH QIIP 4” show the summary information of the 2014 SCEP totals by line in the SCEP, the 12-month average from 2014 and the 2014 Year End In-Service Amount. In response to an informal request for information from the CAPD, TAWC determined that there was a formula error in the 2014 Average In-Service amount on 2 lines (Recurring Project lines O – Vehicles and Q – Process Plant Facilities and Equipment), making the Average In-Service Balance at Year End less than it would have otherwise been forecast. This will be corrected in the reconciliation for 2014 and TAWC has not attempted to correct it in this filing. The new Exhibit 4 for each rider show the 2015 Forecasted Investment Amount by SCEP line, and the Plant Account Additions on each respective capital rider. Going forward, this summary page will clearly delineate the Plant Account Additions by year in-service.



Tennessee American Water
Safety and Environmental Compliance (QIIP)
Calculation of QIIP Revenue Requirement by Project

Line Number	Description	QIIP Company Totals	B Mains - Replaced / Restored	C Mains - Unscheduled	D Mains - Relocated	F Hydrants, Valves, and Manholes - Replaced	H Services and Laterals - Replaced
1	Additions Subject to QIIP:	\$ 6,530,250	\$ 1,575,750	\$ 995,591	\$ 363,335	\$ 506,188	\$ 357,462
2	Plus: Cost of Removal less Salvage	785,489	207,255	125,271	45,630	56,726	118,347
3	Less: Contributions in Aid to Construction (CIAC)	-	-	-	-	-	-
4	Less: Deferred Income Taxes	(20,076)	6,115	4,143	1,345	1,616	1,600
5	Less: Accumulated Depreciation	188,222	16,006	10,841	3,804	7,041	3,185
6	Net Investment Supplied QIIP Additions:	\$ 7,147,593	\$ 1,760,885	\$ 1,105,878	\$ 403,816	\$ 554,256	\$ 471,023
7							
8	Pre-Tax Rate of Return:	9.45%	9.45%	9.45%	9.45%	9.45%	9.45%
9	Pre-Tax Return on Additions:	\$ 675,760	\$ 166,481	\$ 104,554	\$ 38,178	\$ 52,401	\$ 44,532
10							
11	Depreciation Expense on QIIP Additions:	207,547	19,197	12,144	4,526	7,636	3,874
12							
13	Operational Expenses Related to QIIP	-	-	-	-	-	-
14							
15	Property and Franchise Taxes Associated with QIIP:	86,619	20,769	13,126	4,775	6,438	4,716
16							
17	QIIP Revenues:	\$ 969,927	\$ 206,446	\$ 129,823	\$ 47,479	\$ 66,476	\$ 53,122
18							
19	Revenue Taxes	3.19%	3.19%	3.19%	3.19%	3.19%	3.19%
20	Total QIIP Revenues with Revenue Taxes	\$ 1,001,897	\$ 213,251	\$ 134,103	\$ 49,044	\$ 68,667	\$ 54,873
21							
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	\$ 47,073,724	\$ 47,073,724	\$ 47,073,724	\$ 47,073,724	\$ 47,073,724	\$ 47,073,724
23							
24	QIIP Percentage to Apply to Bill:	2.13%	0.45%	0.28%	0.10%	0.15%	0.12%
25							

Tennessee American Water
Safety and Environmental Compliance (QIIP)
Calculation of QIIP Revenue Requirement by Project

Line Number	Description	J Meters - Replaced	R Capitalized Tank Rehabilitation/Painting	I26-000001 Whitwell Acquisition Capital Investment	Variance	Source Data
1	Additions Subject to QIIP:	\$ 984,616	\$ 547,308	\$ 1,200,000	\$ -	=WKP 2015 In-Serviced SCEP'IBA
2	Plus: Cost of Removal less Salvage	232,260	-	-	-	=WKP 2015 In-Serviced SCEP'IBI
3	Less: Contributions in Aid to Construction (CIAC)	-	-	-	-	=WKP 2015 In-Serviced SCEP'IBE
4	Less: Deferred Income Taxes	(11,843)	(18,093)	(4,959)	-	=WKP 2015 In-Serviced SCEP'IBV
5	Less: Accumulated Depreciation	50,815	59,498	37,032	-	=WKP 2015 In-Serviced SCEP'IBU
6	Net Investment Supplied QIIP Additions:	\$ 1,177,905	\$ 505,902	\$ 1,167,927	\$ -	
7						
8	Pre-Tax Rate of Return:	9.45%	9.45%	9.45%		
9	Pre-Tax Return on Additions:	\$ 111,364	\$ 47,830	\$ 110,420	\$ -	
10						
11	Depreciation Expense on QIIP Additions:	60,351	60,642	39,178	-	=WKP 2015 In-Serviced SCEP'IBG
12						
13	Operational Expenses Related to QIIP	-	-	-	-	
14						
15	Property and Franchise Taxes Associated with QIIP:	13,189	7,395	16,213	-	=WKP 2015 In-Serviced SCEP'IBA+WKP 2015 In-Serviced SCEP'IBC*Tax Rate+WKP 2015 In-Serviced SCEP'IBA+WKP 2015 In-Serviced SCEP'IBC*Franchise Rate
16						
17	QIIP Revenues:	\$ 184,904	\$ 115,866	\$ 165,811	\$ -	
18						
19	Revenue Taxes	3.19%	3.19%	3.19%		
20	Total QIIP Revenues with Revenue Taxes	\$ 190,998	\$ 119,685	\$ 171,276	\$ -	
21						
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	\$ 47,073,724	\$ 47,073,724	\$ 47,073,724		
23						
24	QIIP Percentage to Apply to Bill:	0.41%	0.25%	0.36%	0.01%	
25						

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

Line Number	Description	EDI	A	E	G	I
		Company Totals	Mains - New	Hydrants, Valves, and Manholes - New	Services and Laterals - New	Meters - New
1	Additions Subject to EDI:	\$ 1,758,014	\$ 117,322	\$ 64,143	\$ 698,308	\$ 823,953
2	Plus: Cost of Removal less Salvage	-	-	-	-	-
3	Less: Contributions in Aid to Construction (CIAC)	159,611	-	-	159,611	-
4	Less: Deferred Income Taxes	(4,887)	450	152	3,030	(9,453)
5	Less: Accumulated Depreciation	54,621	1,239	907	4,868	41,592
6	Net Investment Supplied EDI Additions:	<u>\$ 1,548,670</u>	<u>\$ 115,633</u>	<u>\$ 63,084</u>	<u>\$ 530,799</u>	<u>\$ 791,814</u>
7						
8	Pre-Tax Rate of Return:	9.45%	9.45%	9.45%	9.45%	9.45%
9	Pre-Tax Return on Additions:	<u>\$ 146,417</u>	<u>\$ 10,932</u>	<u>\$ 5,964</u>	<u>\$ 50,184</u>	<u>\$ 74,861</u>
10						
11	Depreciation Expense on EDI Additions:	64,565	1,467	1,080	5,980	47,567
12						
13	Operational Expenses Related to EDI	45,000	-	-	45,000	-
14						
15	Property and Franchise Taxes Associated with EDI:	<u>23,752</u>	<u>1,585</u>	<u>867</u>	<u>9,435</u>	<u>11,132</u>
16						
17	EDI Revenues:	<u>\$ 279,734</u>	<u>\$ 13,984</u>	<u>\$ 7,911</u>	<u>\$ 110,598</u>	<u>\$ 133,561</u>
18						
19	Revenue Taxes	3.19%	3.19%	3.19%	3.19%	3.19%
20	Total EDI Revenues with Revenue Taxes	<u>\$ 288,955</u>	<u>\$ 14,445</u>	<u>\$ 8,172</u>	<u>\$ 114,243</u>	<u>\$ 137,963</u>
21						
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>
23						
24	EDI Percentage to Apply to Bill:	<u>0.61%</u>	<u>0.03%</u>	<u>0.02%</u>	<u>0.24%</u>	<u>0.29%</u>
25						

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

Line Number	Description	O	I26-020034	Variance	Source Data
		Vehicles	3000'-24" Tennessee River Crossing (\$0.5)		
1	Additions Subject to EDI:	\$ 54,288	\$ -	\$ -	= 'WKP 2015 In-Serviced SCEP'!BA
2	Plus: Cost of Removal less Salvage	-	-	-	= 'WKP 2015 In-Serviced SCEP'!BI
3	Less: Contributions in Aid to Construction (CIAC)	-	-	-	= 'WKP 2015 In-Serviced SCEP'!BE
4	Less: Deferred Income Taxes	933	-	-	= 'WKP 2015 In-Serviced SCEP'!BV
5	Less: Accumulated Depreciation	6,015	-	-	= 'WKP 2015 In-Serviced SCEP'!BU
6	Net Investment Supplied EDI Additions:	<u>\$ 47,341</u>	<u>\$ -</u>	<u>\$ -</u>	
7					
8	Pre-Tax Rate of Return:	9.45%	9.45%		
9	Pre-Tax Return on Additions:	<u>\$ 4,476</u>	<u>\$ -</u>	<u>\$ -</u>	
10					
11	Depreciation Expense on EDI Additions:	8,471	-	-	= 'WKP 2015 In-Serviced SCEP'!BG
12					
13	Operational Expenses Related to EDI	-	-	-	
14					
					= 'WKP 2015 In-Serviced SCEP'!BA+ 'WKP 2015 In-Serviced SCEP'!BC*Tax Rate+ 'WKP 2015 In-Serviced SCEP'!BA+ 'WKP 2015 In-Serviced SCEP'!BC*Franchise Rate
15	Property and Franchise Taxes Associated with EDI:	<u>733</u>	<u>-</u>	<u>-</u>	
16					
17	EDI Revenues:	<u>\$ 13,681</u>	<u>\$ -</u>	<u>\$ -</u>	
18					
19	Revenue Taxes	3.19%	3.19%		
20	Total EDI Revenues with Revenue Taxes	<u>\$ 14,132</u>	<u>\$ -</u>	<u>\$ -</u>	
21					
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>		
23					
24	EDI Percentage to Apply to Bill:	<u>0.03%</u>	<u>0.00%</u>	<u>0.00%</u>	
25					

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

Line Number	Description	SEC	L	M	Q	I26-020028
		Company Totals	SCADA Equipment and Systems	Security Equipment and Systems	Process Plant Facilities and Equipment	Citico Plant Improvements Phase 1B (\$8.6)
1	Additions Subject to SEC:	\$ 11,054,912	\$ 238,106	\$ 203,538	\$ 1,340,191	\$ -
2	Plus: Cost of Removal less Salvage	67,036	-	-	67,036	-
3	Less: Contributions in Aid to Construction (CIAC)	-	-	-	-	-
4	Less: Deferred Income Taxes	(31,465)	17,559	734	(34,336)	-
5	Less: Accumulated Depreciation	239,867	4,774	1,691	134,643	-
6	Net Investment Supplied SEC Additions:	<u>\$ 10,913,547</u>	<u>\$ 215,773</u>	<u>\$ 201,114</u>	<u>\$ 1,306,920</u>	<u>\$ -</u>
7						
8	Pre-Tax Rate of Return:	9.45%	9.45%	9.45%	9.45%	9.45%
9	Pre-Tax Return on Additions:	<u>\$ 1,031,808</u>	<u>\$ 20,400</u>	<u>\$ 19,014</u>	<u>\$ 123,561</u>	<u>\$ -</u>
10						
11	Depreciation Expense on SEC Additions:	432,984	5,215	1,791	228,462	-
12						
13	Operational Expenses Related to SEC	-	-	-	-	-
14						
15	Property and Franchise Taxes Associated with SEC:	<u>146,897</u>	<u>3,217</u>	<u>2,141</u>	<u>16,253</u>	<u>-</u>
16						
17	SEC Revenues:	<u>\$ 1,611,688</u>	<u>\$ 28,831</u>	<u>\$ 22,946</u>	<u>\$ 368,275</u>	<u>\$ -</u>
18						
19	Revenue Taxes	3.19%	3.19%	3.19%	3.19%	3.19%
20	Total SEC Revenues with Revenue Taxes	<u>\$ 1,664,812</u>	<u>\$ 29,782</u>	<u>\$ 23,702</u>	<u>\$ 380,414</u>	<u>\$ -</u>
21						
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>	<u>\$ 47,073,724</u>
23						
24	SEC Percentage to Apply to Bill:	<u>3.54%</u>	<u>0.06%</u>	<u>0.05%</u>	<u>0.81%</u>	<u>0.00%</u>
25						

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

		I26-020032 Wastewater Treatm't & Handling Impr (\$15.3)			
Line Number	Description		Variance	Source Data	
1	Additions Subject to SEC:	\$ 9,273,077	\$ -	='WKP 2015 In-Serviced SCEP'!BA	
2	Plus: Cost of Removal less Salvage	-	-	='WKP 2015 In-Serviced SCEP'!BI	
3	Less: Contributions in Aid to Construction (CIAC)	-	-	='WKP 2015 In-Serviced SCEP'!BE	
4	Less: Deferred Income Taxes	(15,422)	-	='WKP 2015 In-Serviced SCEP'!BV	
5	Less: Accumulated Depreciation	98,758	-	='WKP 2015 In-Serviced SCEP'!BU	
6	Net Investment Supplied SEC Additions:	<u>\$ 9,189,741</u>	<u>\$ -</u>		
7					
8	Pre-Tax Rate of Return:	9.45%			
9	Pre-Tax Return on Additions:	<u>\$ 868,833</u>	<u>\$ -</u>		
10					
11	Depreciation Expense on SEC Additions:	197,517	-	='WKP 2015 In-Serviced SCEP'!BG	
12					
13	Operational Expenses Related to SEC	-	-		
14					
				=('WKP 2015 In-Serviced SCEP'!BA+'WKP 2015 In-Serviced SCEP'!BC)*Tax Rate+('WKP 2015 In-Serviced SCEP'!BA+'WKP 2015 In-Serviced SCEP'!BC)*Franchise Rate	
15	Property and Franchise Taxes Associated with SEC:	<u>125,286</u>	<u>-</u>		
16					
17	SEC Revenues:	<u>\$ 1,191,635</u>	<u>\$ -</u>		
18					
19	Revenue Taxes	3.19%			
20	Total SEC Revenues with Revenue Taxes	<u>\$ 1,230,914</u>	<u>\$ -</u>		
21					
22	Volumetric and Metered Revenue as Per Docket No. 12-00049	<u>\$ 47,073,724</u>			
23					
24	SEC Percentage to Apply to Bill:	<u>2.61%</u>	<u>0.01%</u>		
25					

				2014	2014	2014	2015	2015	2015
				SCEP Additions	SCEP Additions placed in-service averaged over 12 months based on "In-Service Months/Date".	SCEP Additions in-service at year end	SCEP Additions	SCEP Additions placed in-service averaged over 13 months based on "In-Service Months/Date" from December 2014.	SCEP Additions in-service at year end
				Forecasted Investment			Forecasted Investment		
Line #	Project #	Project Description	In-Service Months/Date	Amount	Plant Account Additions	Year-End In-Service	Amount	Plant Account Additions	Year-End In-Service
1	B	Mains - Replaced / Restored	3	\$ 1,148,192	\$ 527,905	\$ 1,103,795	\$ 1,500,000	\$ 1,575,750	\$ 2,128,771
2									
3	C	Mains - Unscheduled	3	800,000	381,556	746,000	800,000	995,591	1,276,670
4									
5	D	Mains - Relocated	3	250,000	120,000	250,000	350,000	363,335	483,337
6									
7	F	Hydrants, Valves, and Manholes - Replaced	1	365,034	203,350	365,034	375,000	506,188	740,034
8									
9	H	Services and Laterals - Replaced	1	246,000	123,025	246,000	250,000	357,462	496,000
10									
11	J	Meters - Replaced	1	663,078	359,168	663,078	725,000	984,616	1,388,078
12									
13	R	Capitalized Tank Rehabilitation/Painting	1	450,000	263,333	450,000	500,000	547,308	950,000
14									
15	I26-000001	Whitwell Acquisition Capital Investment	12/31/2014	-	535,833	1,200,000	-	1,200,000	1,200,000
16									
17	Total			\$ 3,922,304	\$ 2,514,170	\$ 5,023,907	\$ 4,500,000	\$ 6,530,250	\$ 8,662,890

14
15
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17

**Tennessee American Water Company
Safety and Environmental Compliance (SEC)
Plant Additions Summary**

				2014	2014	2014	2015	2015	2015
				SCEP Additions	SCEP Additions placed in-service averaged over 12 months based on "In-Service Months/Date".	SCEP Additions in-service at year end	SCEP Additions	SCEP Additions placed in-service averaged over 13 months based on "In-Service Months/Date" from December 2014.	SCEP Additions in-service at year end
Line #	Project #	Project Description	In-Service Months/Date	Forecasted Investment Amount	Plant Account Additions	Year-End In-Service	Forecasted Investment Amount	Plant Account Additions	Year-End In-Service
1	L	SCADA Equipment and Systems	1	\$ 185,414	\$ 98,957	\$ 185,414	\$ 185,000	\$ 238,106	\$ 370,414
2									
3	M	Security Equipment and Systems	1	130,000	70,417	130,000	190,000	203,538	320,000
4									
5	Q	Process Plant Facilities and Equipment	1	797,990	100,915	92,990	2,631,203	1,340,191	2,724,193
6									
7	I26-020028	Citico Plant Improvements Phase 1B (\$8.6)	6/30/2016	3,000,000	-	-	1,600,000	-	-
8									
9	I26-020032	Wastewater Treatm't & Handling Impr (\$15.3)	5/31/2015	2,000,000	-	-	7,150,000	9,273,077	15,300,000
10									
11	Total			\$ 6,113,404	\$ 270,289	\$ 408,404	\$ 11,756,203	\$ 11,054,912	\$ 18,714,607
12									
13									
14									
15									

Line #	Notes
9	2014 SCEP Additions have been re-forecast due project implementation challenges to 8.150M. See cells W81 & W83 on 'WKP 2015 In-Serviced SCEP'.