

PETITIONER'S EXHIBIT LCB-1

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 16-_____

DIRECT TESTIMONY

OF

LINDA C. BRIDWELL

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER AND IN SUPPORT OF
THE CALCULATION OF THE 2016 CAPITAL RIDERS RECONCILIATION**

SPONSORING PETITIONER'S EXHIBITS:

PETITIONER'S EXHIBIT CAPITAL RIDERS RECONCILIATION – LCB
PETITIONER'S EXHIBIT – CAPITAL RIDER CHARGES SUMMARY – LCB
PETITIONER'S EXHIBIT – WORK ORDER DETAIL SUMMARY – LCB
PETITIONER'S EXHIBIT – DECEMBER 2015 MONTHLY REPORT TO TRA – LCB
PETITIONER'S EXHIBIT – CURRENT TARIFF SHEET NO. 12 – RIDERS – LCB
PETITIONER'S EXHIBIT – PROPOSED TARIFF SHEET NO. 12 – RIDERS - LCB

1 **Q. Please state your name and business address.**

2 A. My name is Linda C. Bridwell and my business address is 2300 Richmond Road,
3 Lexington, Kentucky 40502.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by American Water Works Service Company (“AWW”) as Manager of
6 Rates and Regulation for Tennessee and Kentucky.

7 **Q. Have you previously filed testimony before this or any other commission?**

8 A. Yes. I provided both written and/or oral testimony before the Tennessee Regulatory
9 Authority (“TRA” or “Authority”) in TRA Docket No. 12-00049, Docket No. 14-00121
10 and Docket No. 15-00001, 15-00029, Docket 15-00111 and Docket No. 15-0131. I have
11 also provided both written and oral testimony in at least fifteen different proceedings
12 before the Kentucky Public Service Commission (“PSC”) including rate cases, special
13 investigations, and applications for a Certificate of Public Convenience and Necessity.

14 **Q. Please state your educational and professional background.**

15 A. I received a B.S. degree in Civil Engineering from the University of Kentucky in 1988
16 and I received a M.S. degree in Civil Engineering from the University of Kentucky in
17 1992 with an emphasis in water resources. I completed a Masters of Business
18 Administration from Xavier University in Cincinnati, Ohio in 2000. I am a registered
19 Professional Engineer in the Commonwealth of Kentucky.

20 I have been employed by AWW since 1989. I began as a distribution supervisor
21 for Kentucky American Water (“KAWC”) until 1990 when I was promoted to Planning
22 Engineer, then Engineering Manager, and later Director of Engineering in 1998. In July
23 2004, I accepted the position of Project Delivery and Developer Services Manager for the

1 Southeast Region of AWW, responsible for Kentucky, Tennessee, and West Virginia. In
2 2008, I became the KAWC Project Delivery Manager for the construction of a new water
3 treatment plant, booster station, and transmission main in Kentucky. This project was the
4 largest project completed by American Water, in any of its regulated businesses, at \$164
5 million. Upon completion of the project in October 2010, I became the Director of
6 Environmental Compliance and Water Quality for KAWC and in February of 2011 I
7 accepted my current position. I am an active member of the American Water Works
8 Association (AWWA), served as president of the local chapter and state section of the
9 American Society of Civil Engineering (ASCE), and served as an officer in the local
10 chapter of the National Society of Professional Engineers (NSPE) and as a State officer.
11 I have served periodically as an Adjunct Professor at the University of Kentucky in the
12 Civil Engineering Department, teaching “Water Quality and Pollution Control” and the
13 “Introduction to Environmental Engineering.” I served as a member of the
14 Civil Engineering Industrial Advisory Committee at the University of Kentucky from
15 2005 until 2012. I served as a Commissioner on the Kentucky Water Resources
16 Development Commission established by Governor Patton and currently serve on the
17 Board of Directors for the Kentucky Infrastructure Authority and the Kentucky Board of
18 Licensure for Professional Engineers and Land Surveyors.

19 **Q. What are your duties as manager of rates and regulation?**

20 A. My primary responsibilities encompass the coordination of regulatory issues in
21 Tennessee and Kentucky. This includes coordinating all reports and filings, working
22 with regulatory staff to make sure that all information produced addresses the
23 requirements or requests, and overseeing the preparation and filing of rate cases and tariff

1 changes. I work with the senior management in both states on planning. I am also
2 responsible for keeping abreast of changes in regulation, or trends in regulatory oversight
3 across the United States that may impact our local operations. I report to the Director of
4 Rates for the Central Division of American Water and am accountable to the Presidents
5 of KAWC and Tennessee American Water (“Tennessee American”, or “TAWC”, or
6 “Company”). I am located in Kentucky, but work closely with the TAWC staff in
7 Tennessee as well.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to support the calculation of the 2016 Capital Riders
10 Reconciliation described in TAWC’s Petition for the period of January 1, 2015 through
11 December 31, 2015. On April 14, 2014, the TRA approved four new alternative rate
12 mechanisms for TAWC, effective April 15, 2014, in TRA Docket No. 13-00130. Three
13 of these alternative rate mechanisms were capital program riders and one was for a rider
14 for production costs and other pass-throughs. The three capital recovery riders are a
15 Qualified Infrastructure Investment Program (“QIIP”) Rider, an Economic Development
16 Investment (“EDI”) Rider, and a Safety and Environmental Compliance (“SEC”) Rider.
17 The QIIP Rider, the EDI Rider and the SEC Rider are commonly referred to as the
18 Capital Riders. The Capital Riders were based on certain categories of capital
19 expenditures to cover the investment period of 2014. The Production Costs and Other
20 Pass-throughs Rider (“PCOP”) is based on a historical review period.

21 The purpose of TAWC’s Petition, which this testimony accompanies (the
22 “Petition”), is to provide the required information for the reconciliation of the 2015
23 review period to comply with the previously approved capital rider tariffs, which as noted

1 above was approved in TRA Docket No. 13-000130. The information provided in my
2 testimony is consistent with Tenn. Code Ann. § 65-5-103 *et seq.* and the TRA's April 14,
3 2014, approval of the four riders.

4 **Q. Are you sponsoring any exhibits?**

5 A. Yes I am. I am sponsoring the following exhibits:

6 **Petitioner's Exhibit – Capital Riders Reconciliation – LCB**
7 **Petitioner's Exhibit – Capital Rider Charges Summary – LCB**
8 **Petitioner's Exhibit – Work Order Detail Summary – LCB**
9 **Petitioner's Exhibit – December 2015 Monthly Report to TRA – LCB**
10 **Petitioner's Exhibit – AW Capitalization Policy – LCB**
11 **Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders – LCB**
12 **Petitioner's Exhibit – Proposed Tariff Sheet No. 12 – Riders - LCB**
13

14 I will discuss these exhibits in further detail in my testimony below.

15 **Q. Were the petitioner's exhibits listed above prepared by you or under your direction**
16 **and supervision?**

17 A. Yes.

18 **Q. What were the sources of the data used to prepare the Petitioner's exhibits listed**
19 **above?**

20 A. The data used to prepare the exhibits was acquired from the books of account and
21 business records of Tennessee American, the officers and associates of Tennessee
22 American with knowledge of the facts based on their job responsibilities and activities,
23 and other internal sources which I examined in the course of my investigation of the
24 matters addressed in this testimony.

25 **Q. Do you consider this data to be reliable and of a type that is normally used and**
26 **relied on in your business for such purposes?**

27 A. Yes.

1 **Q. Does the Petitioner's exhibits listed above accurately summarize such data and the**
2 **results of analysis using such data?**

3 A. Yes, it does.

4 **Q. Can you elaborate on the three capital recovery riders that were approved by the**
5 **TRA on April 14, 2014?**

6 A. Yes. The three capital program recovery riders authorized in Docket No. 13-00130 were
7 based on certain categories of capital expenditures to cover the investment period of the
8 calendar year 2014. The purpose of the current Petition is to comply with the tariffs
9 approved in TRA Docket No. 13-00130 and provide the required information and
10 supporting documentation in each of the capital program riders based on the actual
11 capital investment of 2015. The first capital recovery rider is the QIIP Rider pursuant to
12 the alternative regulatory methods statute, Tenn Code Ann. § 65-5-103 *et seq.* This rider
13 is designed to recover the costs associated with the capital investment made in between
14 rate cases to replace aging infrastructure that is non-revenue producing. This means
15 infrastructure that does not produce additional revenues such as main extensions
16 specifically for a new development, or new services or meters for new customers. As
17 discussed in Docket No. 13-00130, aging water and wastewater infrastructure is a
18 growing problem across the United States that will require significant investments over
19 the next few decades to continue to provide clean and reliable water service. This rider
20 helps TAWC address its needs on replacing this critical infrastructure. The QIIP program
21 includes replacement of existing infrastructure in the areas of mains, meters, services,
22 hydrants, water treatment equipment, pumping equipment, and tank painting.

1 The second capital recovery rider is the EDI Rider pursuant to the alternative
2 regulatory methods statute, Tenn Code Ann. § 65-5-103 *et seq.* This rider is primarily for
3 the recovery of investment made in infrastructure to assist in economic development in
4 the communities and area served by TAWC. Communities across the country are
5 competing for economic development opportunities to provide growth in jobs, taxes, and
6 overall quality of life for residents. This rider provides an opportunity for TAWC to
7 partner with the communities it serves to assist in Economic Development. Additionally,
8 this rider is designed to capture investment for the use of alternative fuels, and unlike the
9 QIIP Rider, may include operating expenses related specifically to economic
10 development.

11 The third capital recovery rider is the SEC Rider pursuant to the alternative
12 regulatory methods statute, Tenn Code Ann. § 65-5-103 *et seq.* This rider is for the
13 recovery of investment made to comply with safety and environmental regulations since
14 the previous rate case. TAWC, like other utilities, is faced with increasing capital
15 investment needs to comply with safety and environmental regulations. This rider assists
16 TAWC in addressing those needs. Like the EDI, the SEC may include operating
17 expenses that can be identified as specifically for the new infrastructure with this rider.

18 **Q. Do the capital recovery riders benefit the customers?**

19 Yes. The QIIP, the EDI and the SEC are mutually beneficial to the ratepayers, the public,
20 and TAWC. The Qualified Infrastructure Program Rider, the Economic Development
21 Investment Rider, and the Safety and Environmental Compliance Rider, in part, reduce
22 the need for general rate cases, lessen the occurrence of consumer “rate shock,” support
23 the maintenance and improvement of essential infrastructure, support opportunities for

1 successful economic development, growth and job creation, ensure safety and reliability,
2 and allow for more efficient, streamlined regulation. The ratepayers and the public
3 benefit from the safety and reliability components and from the more seamless and timely
4 capital investment in infrastructure, coupled with the related support to economic
5 development, growth and job creation. The Company benefits from a more efficient,
6 streamlined regulatory process that presents TAWC with the opportunity to timely
7 recover its expenses and earn a fair rate of return on its investments.

8 **Q. Can you explain the calculation of the capital recovery riders?**

9 A. Certainly. As set forth in the approved tariffs, all three capital recovery riders are
10 established on an annual prospective basis utilizing 12 month average end-of-month
11 balances and would reflect only those qualified plant additions installed after the
12 conclusion of the initial rate year in Docket No. 12-00049. Consistent with the tariffs, the
13 qualified plant additions are reduced by the projected retirements associated with the
14 capital rider additions in the calculation of applicable depreciation and property tax
15 expense. The EDI and SEC Riders are increased by the appropriate operating expenses as
16 discussed above. In this case, Tennessee American is proposing to reconcile the review
17 period for each of the Capital Riders beginning on January 1, 2015 and ending December
18 31, 2015. This annual review period was established originally in the tariffs submitted on
19 March 25, 2014, and approved in Docket No. 13-00130 on April 14, 2014. The tariffs
20 establish a reconciliation period for each of the Capital Riders, which will occur 60 days
21 after the close of the attrition period. The attrition period in Docket No. 13-00130 was
22 for January 1, 2014 through December 31, 2014, and the first reconciliation occurred in
23 Docket No. 15-00029. The attrition periods were to occur in subsequent 12-month

1 periods after Docket No. 13-00130. As this is the second reconciliation filing, this
2 Petition addresses only the second review period of January 1, 2015 through December
3 31, 2015. The 2016 Capital Riders rates are the subject of Docket. 15-00111 and not
4 included in this Petition.

5 As approved, the Capital Riders are cumulative and remain in place until reset
6 back to zero at the conclusion of the Company's next rate case filing, at which point the
7 capital costs, depreciation and taxes, and other operating expenses approved and
8 previously recovered through the Capital Riders are then subsumed within Base Rates.

9 **Q. Are the reconciliation portion of the surcharge amount also cumulative?**

10 A. No. In the filing in Docket No. 15-00111, Tennessee American utilized the actual 2014
11 amounts of capital expenditures. The reconciliation period is only for 2015, and includes
12 three components: 1) the comparison of actual 2015 capital expenditures to the amount
13 forecasted; 2) the comparison of revenues authorized in 2015 with the revenues actually
14 collected from customers; and 3) interest on the difference.

15 **Q. Can you discuss detailed specifics to the operation of the capital recovery riders not**
16 **addressed above?**

17 A. Yes. TAWC utilizes an annual prospective approach to the utility plant additions that
18 qualify for recovery through the Capital Riders. The Capital Riders provide for the
19 recovery of revenue sufficient to cover the capital cost, depreciation and tax expense
20 related to the projected investment in qualified utility plant. These costs consider the
21 effects of associated retirements ("Net Plant"), Contributions in Aid of Construction
22 (CIAC), and Removal Spending net of Salvage value for the attrition period. To
23 determine the rate of return recovery, the 12 month-end balances of new utility plant in

service is averaged, less ½ of the anticipated annual associated CIAC, plus ½ of the
 anticipated annual associated cost of removal net of salvage spending, to derive the “Net
 Plant” amount. The current approved pre-tax rate of return (“PTR”) is applied to this net
 amount to determine the revenue requirement of the rate base portion. The PTR is
 calculated from the weighted common equity and preferred equity, grossed up to include
 state and federal taxes, plus the weighted cost of long-term debt and the weighted cost of
 short-term debt. Next, the annual depreciation expense of the additional Net Plant is
 calculated (“NetDep”), utilizing the current TRA approved depreciation rates by account
 and then added. From there, incremental new property and Franchise taxes (“PFT”) is
 added. For the EDI and SEC, additional operating expenses are added as appropriate.
 The sum of these components are grossed up to include the recovery of the associated
 additional Gross Receipts taxes, Uncollectible expense, and forfeited discounts (“RT”) to
 derive the final revenue requirement. Then, any over or under capital rider collection of
 prior periods is added or subtracted as applicable (“R”). The purpose of this Petition
 specifically is to address the over or under capital rider collection for the review period of
 2014. This total is then divided by the authorized annual level of general metered service
 and private fire service customer revenues from the prior docket (Docket No. 12-00049),
 i.e. not including any other revenues, (“PAR”) to render each of the new capital rider
 percentages.

Q. Can the above be shown as a formula?

A. Yes, the calculation of the QIIP is:

$$\text{QIIP \%} = \frac{[(\text{NetPlant} \times \text{PTR}) + \text{NetDep} + \text{PFT}] / [1 - \text{RT}] + \text{R}}{\text{PAR}}$$

where:

- (i) NetPlant: average forecasted cost of QIIP qualified plant additions l (computed by use of average of 12 end-of-month balances).
- (ii) PTR: current pre-tax rate of return as calculated from authorized weighted cost of equity, grossed up for taxes, added to the authorized weighted cost of debt from most recent Base Rate case Order.
- (iii) NetDep: net annual depreciation expense related to the average forecasted QIIP additions, net of retirements and CIAC, per application of current TRA approved depreciation rates by account.
- (iv) PFT: property taxes and Franchise Tax
- (v) R: reconciliation component related to over/under recovery of QIIP costs during the prior QIIP year.
- (vi) RT: sum of revenue taxes % (Gross Receipts Tax), uncollectible expense %, forfeited discounts %, expressed as a decimal
- (vii) PAR: authorized annual base revenue subject to QIIP

The calculation of the EDI is:

$$\text{EDI \%} = \frac{[(\text{NetPlant} \times \text{PTR}) + \text{NetDep} + \text{PFT} + \text{EDEx}] / 1 - \text{RT} + \text{R}}{\text{PAR}}$$

where:

- (i) NetPlant: average forecasted cost of EDI qualified plant additions (computed by averaging the 12 end-of-month plant balances).
- (ii) PTR: current pre-tax rate of return as calculated from authorized weighted cost of equity, grossed up for taxes, added to the authorized weighted cost of debt from most recent Base Rate case Order.
- (iii) NetDep: net annual depreciation expense related to the average forecasted EDI additions, net of retirements and CIAC, per application of current TRA approved depreciation rates by account.
- (iv) PFT: property taxes and Franchise Tax
- (v) EDIEx: operational expense items related directly to economic development
- (vi) R: reconciliation component related to over/under recovery of EDI costs during the prior EDI year.
- (vii) RT: sum of revenue taxes % (Gross Receipts Tax), uncollectible expense % and forfeited discounts %, expressed as a decimal
- (viii) PAR: authorized annual base revenue subject to EDI

And the SEC calculation is:

$$\text{SEC \%} = \frac{[(\text{NetPlant} \times \text{PTR}) + \text{NetDep} + \text{PFT} + \text{SECEX}] / (1 - \text{RT}) + \text{R}}{\text{PAR}}$$

where:

- (i) NetPlant: average forecasted cost of SEC Rider qualified plant additions (computed by averaging the 12 end-of-month balances).
- (ii) PTR: current pre-tax rate of return as calculated from authorized weighted cost of equity, grossed up for taxes, added to the authorized weighted cost of debt from most recent Base Rate case Order.
- (iii) NetDep: net annual depreciation expense related to the average forecasted SEC Rider additions, net of retirements and CIAC, per application of current TRA approved depreciation rates by account.
- (iv) PFT: property taxes and Franchise Tax
- (v) SECEX: operational expense items related directly to safety and environmental compliance
- (vi) R: reconciliation component related to over/under recovery of SEC Rider costs during the prior SEC Rider year.
- (vii) RT: sum of revenue taxes % (Gross Receipts Tax), uncollectible expense % and forfeited discounts %, expressed as a decimal
- (viii) PAR: authorized annual base revenue subject to SEC Rider

Q. Have you included the calculation of the three capital recovery riders in the Petition?

A. Yes. I have attached an exhibit that reflects the calculation of each of the three capital recovery riders reconciliation percentage individually and in total. The calculation of the reconciliation percentage for each rider is attached to my testimony as **Petitioner's Exhibit Capital Riders Reconciliation - LCB**. The detailed calculations are attached in to the Petition in the workpapers. The calculations are consistent with the calculations that were made in the approved tariff in Docket No. 13-00130. Again, these work-papers are consistent with the calculations made to support the approved tariff in Docket No. 13-00130 and again in the first reconciliation in Docket No. 15-00029.

1 **Q. Have there been any changes in the methodology used to calculate the reconciliation**
2 **amounts?**

3 A. Yes. Tennessee American is continuing to enhance the methodology to improve the
4 transparency and ease of understanding in the files.

5 **Q. Would you please explain the changes in the files since the previous filing in Docket**
6 **No. 15-00029?**

7 A. Certainly. Tennessee American has made ten changes in the files that are used to
8 calculate the reconciliation since the last filing in Docket No. 15-00029. These changes
9 were made to improve the transparency of the calculation, and in response to questions
10 and orders in Docket 14-00121, Docket No. 15-00029 and Docket No. 15-00111.

11 First, Tennessee American took the final version of the files used in Docket No. 15-
12 00029 that removed a number of items from the Economic Development Infrastructure
13 Rider. Then, Tennessee American included the amount of revenues authorized for the
14 reconciliation of 2014 Capital Riders surcharge in the amount of the current
15 reconciliation. This is reflected at Line 25 of **Petitioner's Exhibit Capital Rider**
16 **Reconciliation – LCB.**

17 Second, Tennessee American eliminated the **Petitioner's Exhibit – Summary Utility**
18 **Account Balances—LCB.** This exhibit in Docket 15-00029 displayed the cumulative
19 plant additions by month for each rider by utility plant account. In retrospect, this exhibit
20 summarized the data in a manner that was difficult to trace in the Strategic Capital
21 Expenditures Plan workpapers and was not used in the overall calculation.

22 Third, Tennessee American prepared a 2015 Strategic Capital Expenditures Plan that
23 reflected the actual cumulative plant balances by month, by utility plant account, by

1 business unit. This was also done for 2014, which was not included in Docket No. 15-
2 00029. Because these tabs utilized “SumIF” formulas, a proof tab was also included
3 reflecting the individual formulas.

4 Fourth, in order to easily calculate the proof tab, TAWC prepared a Pivot Table for the
5 2015 Actual Expenditures that is included in the workpapers. This will allow for a
6 cleaner method of reviewing the extensive data of the actual charges for 2015 in
7 additions, cost of removal, and retirements.

8 Fifth, in response to questions raised by the CAPD in Docket No. 15-00111, TAWC
9 included a workpaper WKP Retires Actuals page that reflects the actual cumulative
10 monthly retirements. Again, because this tab uses “SumIF” formulas, TAWC has
11 prepared a proof tab.

12 Sixth, TAWC created a Cost of Removal Actuals page in response to questions raised by
13 the CPAD in Docket No. 15-00111 that reflects the actual cumulative monthly cost of
14 removal. Again, because this tab uses “SumIF” formulas, TAWC has prepared a proof
15 tab as well.

16 Seventh, TAWC has created a 2015 Tax Depreciation tab in response to questions raised
17 by the CPAD in Docket No. 15-00111 that calculates the Depreciation in the appropriate
18 tax year.

19 Eighth, the Company’ calculation of tax depreciation expense with the MACRS tax
20 depreciation rates are applied to the cumulative plant additions for each vintage year
21 instead of the average plant balance for the year.

1 Ninth, TAWC calculated the depreciation expense using the cumulative weighted
2 average less retirements and CIAC each year. This is consistent with the methodology in
3 the filing of the Capital Surcharges forecast.

4 Finally, TAWC eliminated the workpaper WKP Net Investment Results from the files.
5 This tab in the excel spreadsheet was originally an attempt to prepare the quarterly
6 reports for the City of Chattanooga in a method that could eventually be used in the final
7 reconciliation. After talking at length with the City of Chattanooga, the format of the
8 report provided to them previously did not adequately address their request for
9 information. Tennessee American revised the information format it was providing to the
10 City of Chattanooga. The worksheet itself was extremely unwieldy in providing the year-
11 end data necessary in the reconciliation filing. Therefore, TAWC eliminated the
12 worksheet entirely.

13 These ten (10) methodological enhancements remain consistent with the alternative
14 regulatory methods statute, Tenn Code Ann. § 65-5-103 *et seq.*, and the approved Capital
15 Rider tariff, and the enhancements improve the ability to follow the calculations.

16 **Q. Has TAWC included detailed information regarding the projects that make up each**
17 **of the proposed capital recovery riders?**

18 A. Yes. The detailed listing of the specific projects and the amount spent on each project by
19 type of expenditure is included in the workpapers. TAWC has provided the detailed
20 general ledger information for each project, and summarized each work order by expense
21 type. Company witness Brent O'Neill will discuss the variance regarding the capital
22 expenditures included in the QIIP, EDI and SEC reconciliation for 2015.

23 **Q. How are the QIIP, EDI, and SEC revenues recovered?**

1 A. The QIIP, EDI and SEC are each expressed as a percentage, with the reconciliation
2 expressed as a separate percentage for all three capital recovery riders combined. The
3 current tariff Original Sheet No. 12 – Riders – 1 is attached to my testimony as
4 **Petitioner’s Exhibit Current Tariff Sheet No. 12 – Riders – LCB**, and the proposed
5 tariff sheet Third Revised Sheet No. 12 – Riders - 1 is attached to my testimony as
6 **Petitioner’s Exhibit Proposed Sheet No. 12 – Riders – LCB**. They are each applied to
7 the total amount billed to each customer under the otherwise applicable rates and charges
8 for basic service, metered usage charges, and private fire charges, and are applied prior to
9 the inclusion of any other taxes, charges, or surcharges. All three Capital Riders are
10 combined into one line item on the bill of each customer. The reconciliation percentage
11 will be a separate line item on the bill of each customer as well.

12 **Q. What will happen to the Capital Riders upon approval of new rates in a rate case**
13 **proceeding?**

14 A. The QIIP, EDI, and SEC will all be reset to zero as of the effective date of the new base
15 rates which Base Rates then provide for the recovery of the annual costs that had
16 theretofore been recovered through the Capital Riders. Thereafter, and consistent with
17 the tariffs, only the new QIIP, EDI, and SEC qualified plant additions and expenses not
18 previously included in rate base and Base Rates will be reflected in the future filings.

19 **Q. What cost of capital is utilized in the formula of the Capital Riders?**

20 A. The cost of capital is the established rate of return (on a pre-tax basis) in the Company’s
21 immediately preceding Base Rate case Order, currently TRA Docket No. 12-00049.

22 **Q. What depreciation rates are used to determine the depreciation expense recovered**
23 **by the QIIP, EDI and SEC?**

1 A. The depreciation rates last approved by the TRA in Docket 12-00049 for the respective
2 plant accounts in which the specific items of qualified infrastructure under each rider are
3 recorded are the depreciation rates used to determine the depreciation expense. New
4 depreciation rates would be used only after depreciation rates are changed during a
5 general rate proceeding.

6 **Q. What property tax rate is used to determine the property tax expense related to the**
7 **additional investment to be recovered by the QIIP, EDI and SEC?**

8 A. The property tax rate is based on the proportion of property taxes authorized in Docket
9 No. 12-00049 to the utility plant in service, multiplied by the additional utility plant less
10 retirements.

11 **Q. How are annual revenues determined for the QIIP, EDI and SEC?**

12 A. The projected annual revenues will be the authorized water services revenues from the
13 last case, Docket No. 12-00049, including all service charges and volumetric charges for
14 all classes that are subject to the Capital Riders.

15 **Q. Did the amount of investment rider revenues collected from Tennessee American's**
16 **customers vary from the actual amount of revenue needed to cover a return of and a**
17 **return on the company's QIIP, EDI and SEC infrastructure investment and taxes?**

18 A. Yes. There were three things that varied during 2015. First, there was a difference
19 between the actual and the allowed water operating revenues upon which the Capital
20 Riders are based. Second, the Capital Expenditures for 2015 were actually greater than
21 projected, while the completion of projects occurred later than projected. Third, the 2015
22 Capital Riders and the 2015 Reconciliation of the Capital Riders were over a shorter
23 duration than originally proposed in the tariffs.

1 **Q. Can you explain the difference between the actual and allowed water operating**
2 **revenues upon which the Capital Riders are based?**

3 A. Yes. The projected annual revenues were calculated based on the authorized amount of
4 sales in Docket No. 12-00049. The overall sales in 2015 were less than the amount
5 authorized in Docket No. 12-00049. Therefore the Capital Riders, which are a
6 percentage of water charges, were less than authorized. What this means in practical
7 terms is that there were less water sales to apply the percentage to, resulting in less actual
8 revenues billed for the Capital Riders than were authorized.

9 **Q. Can you explain how the Capital Expenditures for 2015 being greater than**
10 **projected, while the completion of the projects occurred later than projected**
11 **impacts the reconciliation?**

12 A. Yes. The reconciliation calculates a revenue requirement based on the 12-month
13 weighted average amount of plant additions across the calendar year. So if a project
14 requires more capital expenditures than originally forecast, then there will be an increase
15 in the amount of plant additions across the calendar year. If the project is the same cost,
16 but is placed in service and thus an addition to utility plant in a different month than
17 forecast, the 12-month weighted average amount will go up or down depending on
18 whether it was placed in service earlier or later. In 2015, the wastewater project went
19 into service later than projected due to weather delays and subsurface conditions that
20 were discovered during construction. Because it went into service later than anticipated,
21 the overall 12-month weighted average amount of plant additions across the calendar year
22 was less than originally projected. What this means in practical terms is that with the

1 lower 12-month weighted average amount of plant additions, there was a lower actual
2 revenue requirement to support that investment amount than authorized.

3 **Q. Can you explain how the 2015 Capital Riders and the 2015 Reconciliation of the**
4 **Capital Riders over a shorter duration impacted the revenues collected?**

5 A. Yes. The authorized surcharge amount was proposed based on revenues collected over
6 2015. For the 2015 Capital Riders, this was proposed assuming the entire calendar year,
7 but the 2015 Capital Riders had an effective date of June 29, 2015. The surcharge
8 amount did not change, but was simply applied for a shorter duration than originally
9 proposed. This reduced the overall amount of revenues collected. What this means in
10 practical terms is that there were less actual water revenues to apply the Capital Riders to
11 than originally proposed.

12 **Q. As a regulatory safeguard to consumers and to serve the public interest, does each**
13 **of the Capital Riders include a reconciliation mechanism in the event that the level**
14 **of investment, expense, or revenue approved varies from the actual costs?**

15 A. Yes. As discussed earlier, the QIIP, EDI and SEC are all subject to this annual
16 reconciliation whereby the revenue received under each of the Capital Riders for the
17 reconciliation period is compared to the revenue necessary for the Company to recover its
18 return of and return on investment plus taxes, for that QIIP, EDI and SEC year. As I
19 stated earlier, this Petition is only for the reconciliation to the QIIP, EDI and SEC. The
20 2016 proposed QIIP, EDI and SEC riders are included as Docket No. 15-00111 and are
21 not included in this Petition.

22 **Q. Can you explain the reconciliation calculation?**

1 A. Yes. Consistent with the approved tariffs, Tennessee American has filed a reconciliation
2 for all three Capital Riders by March 1, 2016. There are actually two steps to the
3 reconciliation. The first is an adjustment for budget to actual investment. This is a
4 regulatory oversight and public interest component of the mechanism that results in a
5 true-up if the investment did not occur (up or down) as forecasted. The second is an
6 adjustment for the over or under recovery of revenues as projected, including interest.
7 This is for both the 2015 Capital Riders Surcharge and the 2015 Reconciliation of the
8 Capital Riders Surcharge. In this way, the consumers are protected if sales exceed the
9 amount authorized in the previous rate case proceeding. This may occur if there is a
10 significant amount of customer growth, or if dry and hot conditions occur in any given
11 year. This second adjustment also allows TAWC to adjust if sales are less than the
12 amount authorized in the last case, as may occur with declining usage that TAWC has
13 experienced in recent years. The reconciliation percentage, pending approval by April 1,
14 2016, as contemplated in the tariffs, will be applied to customer bills for 9 months in
15 2016.

16 **Q. Is the reconciliation of 2014 Capital Riders, which was authorized in Docket No. 15-**
17 **00029, included in this filing?**

18 A. No. As I stated earlier, 2014 actual capital expenditures were used in the calculation of
19 the currently pending 2016 Capital Riders in Docket No. 15-00111. By doing this, the
20 only amount of capital expenditures to reconcile in this Petition is the 2015 actual capital
21 expenditures.

1 **Q. Did Tennessee American collect all of the revenues authorized for the Capital**
2 **Riders surcharges in 2015 from Docket No. 14-00121?**

3 A. No, it did not. However, the authorized revenues were offset by capital expenditures
4 occurring later in 2015 than were originally anticipated. As I explained above, with plant
5 additions occurring later than originally proposed, the revenue requirement for the actual
6 expenditures was less than originally authorized for the 2015 Capital Riders. The
7 revenue difference between those items is the reconciliation amount included in this
8 Petition filing.

9 **Q. Did Tennessee American collect all of the revenues authorized for the Capital**
10 **Riders reconciliation component in 2015 from Docket No. 15-00029?**

11 A. No, it did not. That revenue difference is also included in this Petition filing. The total
12 reconciliation amount of all of these items combined is \$314,362.

13 **Q. TAWC has not filed anything in this Petition to include the reconciliation of the**
14 **production costs and other pass-throughs rider. Why is TAWC not including the**
15 **PCOP reconciliation in this Petition?**

16 A. The reconciliation of the PCOP is part of Docket No. 15-00131. The PCOP differs from
17 the Capital Riders, in that at the end of a year, it looks at the historical period and
18 compares the actual production expenses to the amount of production expenses
19 authorized in the previous rate case. It then applies an adjustment over the next year to
20 account for any differences between the two amounts, either over or under the authorized
21 amount. The first review period for the approved PCOP looked at the amount of
22 production expenses in the attrition year from the previous rate case, which was
23 December 1, 2012 to November 30, 2013 compared to the actual amount of production

1 expenses that occurred between December 1, 2012 and November 30, 2013. The
2 expenses in the attrition period were actually less than authorized in the case, so TAWC
3 under the approved PCOP applied a credit adjustment to customers.

4 The subsequent period approved for review in the tariff is defined as the twelve
5 months subsequent to the attrition period, and every twelve-month period after that. So
6 the review period for the PCOP in Docket No. 15-00001 was December 1, 2013 through
7 November 30, 2014. The review period for the PCOP in Docket No. 15-00131 is
8 December 1, 2014 through November 30, 2015. TAWC filed the reconciliation of the
9 PCOP in a separate Petition at the end of 2015 in Docket No. 15-00131.

10 **Q. What has TAWC done to make sure that capital expenditures were not double**
11 **counted in the rate case docket no. 12-00049 and in the capital recovery riders?**

12 A. As part of the reconciliation, TAWC pulled all of the capital expenditures that were
13 placed in service in 2015. This meant that three types of capital expenditures were
14 accumulated in the detailed information: 1) Capital expenditures made in 2015 on
15 projects that were completed in 2015; 2) Capital expenditures that were made prior to
16 2015 but were not placed in service until 2015 along with the expenditures on that project
17 that were made in 2015; and 3) capital expenditures made in 2015 on projects that had
18 been placed in service prior to 2015. TAWC then reviewed each work order individually
19 within the recurring project lines and removed all capital expenditures that were not for
20 2015 projects placed in-service in 2015. If a project was part of 2014, and included in the
21 previous filing but had additional capital charges come in, those were included in this
22 filing. However, if the project pre-dated 2014 then it was considered outside of the
23 surcharges. So if a project was primarily part of construction in 2013, but not placed in

1 service until the beginning of 2014, the entire project was removed from the Capital
2 Riders Reconciliation in the previous filing in Docket No. 15-00029. Any additional
3 charges would also be excluded in this reconciliation. This was to eliminate any question
4 whether those expenditures were part of the attrition year from the last rate case, Docket
5 No. 12-00049. If a project had some preliminary capital expenditures prior to 2014 but
6 was a project implemented and placed in service in 2015, all of the asset value placed in-
7 service in 2015 was included in the capital recovery riders. Capital expenditures for 2015
8 that were on projects previously placed in service prior to 2014 were removed entirely.
9 The summary of Capital Riders charges is attached to my testimony as **Petitioner's**
10 **Exhibit Capital Rider Charges Summary – LCB**. A copy of all capital expenditures is
11 included in the workpapers.

12 **Q. What are the results for the first adjustment of the actual compared to the budget?**

13 A. The amount of actual in-service capital investment was lower than the projected levels in
14 Docket No. 14-00121. This is shown on the **Petitioner's Exhibit Capital Riders**
15 **Reconciliation – LCB** attached to my testimony at Line 1. This is due primarily to
16 TAWC spending more in its overall capital expenditures in 2015 as discussed in Mr.
17 O'Neill's testimony, but placing projects in service later in the year than anticipated.
18 This means that the overall 12-month weighted average of plant additions in 2015 was
19 lower than projected in Docket No. 14-00121. The largest project, which was the
20 Wastewater Treatment project at Citico plant, was delayed in completion from the
21 originally budgeted May until November. As demonstrated in the exhibit, TAWC had an
22 average balance of plant additions of \$12,810,147 in service under the capital recovery
23 riders, compared to \$17,766,627 budgeted. Additionally, the cost of removal and

1 depreciation expenses were actually less than projected in the riders in Docket No. 14-
2 00121. So overall, the amount of the revenue requirement for these capital expenditures
3 was less than originally projected in the riders. As shown on Line 18 of the same exhibit,
4 the Actual Revenues Required was \$1,731,150 while the projected amount was
5 \$2,689,326.

6 **Q. What are the results for the second adjustment for over/under revenue billings?**

7 A. The revenues billed were \$1,481,559, or \$249,591 less than the actual amount required to
8 support the investment made, and \$1,207,767 less than the authorized amount. This is
9 primarily for three reasons. First, the capital recovery riders were only in place six
10 months and not a full year as proposed in the calculation of the amount of the capital
11 recovery riders in Docket No. 14-00121. Second, the water sales and revenues were less
12 than the base amount authorized in Docket No. 12-00049. Third, the capital recovery
13 riders reconciliation component was only in place 2 months and not the 9 months as
14 proposed in the calculation in Docket No. 15-00029.

15 **Q. Has TAWC applied an earnings test adjustment to the reconciliation?**

16 A. No. TAWC did not earn above its authorized rate of return in the review period of the
17 calendar year 2015. I have attached a copy of the December 2015 Financial Statements
18 Report filed with the TRA as Petitioner's Exhibit December 2015 Monthly Report to
19 TRA – LCB that shows a 12-month rate of return of 6.85%. The amount authorized in
20 Docket No. 12-00049 was 7.23%.

21 **Q. What is the proposed QIIP reconciliation percentage?**

22 A. TAWC is proposing a QIIP reconciliation that is 1.170%.

1 **Q. What is the proposed EDI reconciliation percentage?**

2 A. TAWC is proposing an EDI reconciliation of -0.178%.

3 **Q. What is proposed SEC reconciliation percentage?**

4 A. TAWC is proposing a SEC reconciliation of -0.102%.

5 **Q. What is the total capital recovery rider reconciliation percentage?**

6 A. The total proposed capital recovery rider reconciliation percentage is 0.890%.

7 **Q. What is the impact to the average customer bill?**

8 A. The typical residential customer living in the City of Chattanooga, and using an average
9 of 4,154 gallons per month will see an increase in their bill of \$0.20 per month, or \$2.40
10 per year.

11 **Q. Has Tennessee American filed a tariff addressing the proposed QIIP, EDI and SEC
12 reconciliation rider?**

13 A. Yes. A new tariff Sixth Revised Sheet No. 12 – Riders –1 reflects the Capital Recovery
14 Riders Reconciliation percentage and is attached to my testimony as **Petitioner's Exhibit**
15 **Proposed Sheet No. 12- Riders - LCB.**

16 **Q. What information is required in the tariff to be included in the annual reconciliation
17 filing?**

18 A. Each tariff states that the Company will include in its Annual Reconciliation Filing the
19 following information at a minimum: (a) a schedule of all journal entries made related to
20 this Rider for the Annual Review Period, including any related general ledger support, (b)
21 actual billing determinants by month as used in the computation of the Total Collected
22 from Customers for the Annual Review Period, (c) capitalization policy effective for the
23 Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage

1 Rate, including the detailed calculation of each component, (e) schedules of the Actual
2 Investment Amount and Actual Operational Expense, including related general ledger
3 support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative
4 statement of whether the Company is aware of any changes in market conditions or other
5 factors that may affect whether the Rider is still in the public interest, including the
6 identification of such factors if they exist, and (h) the cumulative amount collected from
7 customers.

8 **Q. Has TAWC provided the information in this Petition filing that is required per the**
9 **QIIP, EDI and SEC tariffs?**

10 A. Yes. In order to provide this information, (a) TAWC has provided in the workpapers all
11 of the general ledger transactions for all of the capital expenditures in the capital recovery
12 riders, (b) TAWC has provided the billing determinants by month from January 2015 to
13 December 2015 in the workpapers, (c) a copy of the capitalization policy effective for the
14 Annual Review Period was filed in Docket No. 15-00029 and has not been revised since
15 that filing, (d) TAWC has provided a computation of the Annual Reconciliation Factor
16 Percentage Rate attached as **Petitioner's Exhibit Capital Riders Reconciliation – LCB**
17 and has provided the detailed calculation of each component in the workpapers along
18 with an explanation of the workpaper calculation, (e) TAWC has provided schedules of
19 the Actual Investment Amount including the detailed general ledger support for each of
20 the riders in the workpapers however there were no Actual Operational Expenses in
21 2015; (f) TAWC has not included any proposed prior period adjustments other than
22 removing items in 2015 for the EDI rider consistent with the Orders in Docket No. 14-
23 00121 and Docket No. 15-00029; (g) I discuss whether the Company is aware of any

1 changes in market conditions or other factors that may affect whether the Rider is still in
2 the public interest, including the identification of such factors if they exist; and (h)
3 TAWC has provided the cumulative amount collected from customers on the
4 **Petitioner's Exhibit Capital Riders Reconciliation – LCB** along with the detailed
5 information of the amount of revenues collected from customers for each of the capital
6 recovery riders in the workpapers.

7 **Q. Has Tennessee American provided invoices for all of the capital expenditures**
8 **included in the capital recovery riders?**

9 A. No. TAWC has provided the detailed general ledger information for all transactions on
10 all projects in the workpapers, and summarized the type of expenses for each rider in
11 **Petitioner's Exhibit Capital Rider Charges Summary -- LCB**. Although individual
12 invoices are available for some contract services under some projects, TAWC uses a
13 purchase order system under blanket contracts that provides for billing for multiple
14 projects on one invoice. Further, TAWC uses purchase orders for materials, bringing
15 materials in and out of stock inventory on an average cost basis. Some material held in
16 inventory may have been purchased in previous years and tracing those items to specific
17 invoices or purchase order receipts will be extremely challenging. Finally, invoices for
18 all projects would be an extremely large filing that may be more information than is
19 feasible to review. TAWC has provided a summary of the work order detail of expenses
20 in **Petitioner's Exhibit Work Order Detail Summary – LCB**. Unlike the filing in
21 Docket No. 15-00029, TAWC has not provided a complete set of contractor invoices on
22 one project. TAWC has experimented internally with different sampling techniques to
23 provide a streamlined but effective way to review sample projects in the process. TAWC

1 is also in the process of discussing some of the options with the CPAD in a good faith,
2 cooperative effort to arrive at a mutually satisfactory and beneficial option. It is
3 important to develop a technique or process that provides adequate levels of assurance
4 that TAWC continues to implement its construction program in the most cost effective
5 manner for its customers while not developing a technique or process that becomes
6 overwhelming or inefficient for all parties involved in the reconciliation process. TAWC
7 is prepared to provide a witness for the accuracy of the general ledger if necessary.

8 **Q. Is the company aware of any changes in market conditions or other factors that may**
9 **affect whether the QIIP rider, the EDI rider and the SEC rider are still in the public**
10 **interest?**

11 A. No, the Company is not aware of any changes in market conditions or other factors that
12 affect whether the QIIP Rider, the EDI Rider and the SEC Rider are still in the public
13 interest. Tennessee American believes that the QIIP Rider, the EDI Rider and the SEC
14 Rider are all still in the public interest. Tennessee American understands that the purpose
15 of the legislation was, in part, to encourage an increase in certain types of infrastructure
16 investment and recovery by utilities, while reducing the costs to consumers and utilities
17 for regulatory review and implementation, and promoting rate gradualism for consumers.
18 TAWC believes the approved capital recovery riders are achieving that goal. Without the
19 approved alternative rate mechanisms, and specifically without the Capital Riders,
20 TAWC would be preparing another general rate case. TAWC has been able to partner
21 with the community to promote economic development, which we believe to be in the
22 public interest. TAWC has been able to increase infrastructure replacement and meet

1 environmental compliance needs on a timely basis, which we believe to be in the public
2 interest.

3 **Q. What do you recommend with regard to this Petition?**

4 A. I recommend that the Petition be approved for the reconciliation in the QIIP, EDI and
5 SEC Riders for a total reconciliation of 0.890%. This will be applied beginning April 1,
6 2016 for nine months.

7 **Q. Does this conclude your direct testimony?**

8 A. Yes.

| Line Number | Description | Qualified Infrastructure Investment Program QIIP | | | Economic Development Investment EDI | | | Safety and Environmental Compliance SEC | | | Total | | |
|-------------|---|--|--------------|-------------|-------------------------------------|-----------|-----------|---|--------------|---------------|------------------------|--------------|---------------|
| | | Average YTD 12/31/2015 | Budget | Variance | Average YTD 12/31/2015 | Budget | Variance | Average YTD 12/31/2015 | Budget | Variance | Average YTD 12/31/2015 | Budget | Variance |
| 1 | Additions Subject to Rider: | \$7,609,247 | \$6,530,250 | \$1,078,997 | \$181,465 | \$366,908 | \$185,443 | \$4,833,992 | \$11,054,912 | (\$6,220,920) | \$12,810,147 | \$17,766,627 | (\$4,956,480) |
| 2 | Plus: Cost of Removal less Salvage | 143,882 | 785,489 | (641,607) | 0 | 574 | 574 | 147,392 | 67,036 | 80,356 | 291,849 | 852,525 | (560,676) |
| 3 | Less: Contributions in Aid to Construction (CIAC) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Less: Deferred Income Taxes | 31,376 | (20,076) | 51,452 | 603 | 653 | 50 | 4,086 | (31,465) | 35,551 | 36,116 | (50,938) | 87,054 |
| 5 | Less: Accumulated Depreciation | 93,594 | 188,222 | (94,628) | 2,146 | 3,264 | 1,118 | 89,948 | 239,867 | (149,919) | 186,806 | 430,235 | (243,429) |
| 6 | Net Investment Supplied Additions: | \$7,628,158 | \$7,147,593 | \$480,565 | \$178,716 | \$363,565 | \$184,849 | \$4,887,350 | \$10,913,546 | (\$6,026,196) | \$12,879,073 | \$18,239,855 | (\$5,360,782) |
| 7 | | | | | | | | | | | | | |
| 8 | Pre-Tax Authorized Rate of Return: | 9.45% | 9.45% | | 9.45% | 9.45% | | 9.45% | 9.45% | | 9.45% | 9.45% | |
| 9 | Pre-Tax Return on Additions: | \$721,195 | \$675,760 | \$45,434 | \$16,896 | \$34,373 | \$17,476 | \$462,069 | \$1,031,808 | (\$569,739) | \$1,217,636 | \$1,724,465 | (\$506,829) |
| 10 | | | | | | | | | | | | | |
| 11 | Depreciation Expense on Additions: | 124,233 | 207,547 | (83,314) | 5,298 | 5,298 | 2,752 | 164,532 | 432,984 | (268,452) | 294,063 | 643,077 | (349,014) |
| 12 | | | | | | | | | | | | | |
| 13 | Property and Franchise Taxes Associated: | 99,412 | 86,619 | 12,793 | 2,452 | 4,951 | 2,499 | 59,846 | 146,897 | (87,051) | 164,209 | 235,968 | (71,759) |
| 14 | | | | | | | | | | | | | |
| 15 | Revenues: | 944,840 | 969,926 | (25,087) | 21,894 | 44,622 | 22,727 | 686,447 | 1,611,689 | (925,242) | 1,675,909 | 2,603,510 | (927,601) |
| 16 | | | | | | | | | | | | | |
| 17 | Revenue Taxes | 3.19% | 3.19% | | 3.19% | 3.19% | | 3.19% | 3.19% | | 3.19% | 3.19% | |
| 18 | Total Revenues with Revenue Taxes | \$975,983 | \$1,001,897 | (\$25,914) | \$22,616 | \$46,093 | \$23,477 | \$709,073 | \$1,664,813 | (\$955,740) | \$1,731,150 | \$2,689,326 | (\$958,177) |
| 19 | | | | | | | | | | | | | |
| 20 | | | | | | | | | | | | | |
| 21 | Actual Revenues Billed | | \$659,580 | | | | | | \$767,129 | | | \$1,481,559 | |
| 22 | | | | | | | | | | | | | |
| 23 | (Over)/Under Revenue Billings | | 342,317 | | (32,234) | | | | 897,684 | | | 1,207,767 | |
| 24 | Budget to Actual Adjustment | | (25,914) | | 23,477 | | | | (955,740) | | | (958,177) | |
| 25 | 2014 Reconciliation Amount | | 89,598 | | (52,834) | | | | 22,600 | | | 59,365 | |
| 26 | Earnings Test Adjustment | | | | | | | | | | | 0 | |
| 27 | Interest (Prime - 3.50%) | | 7,105 | | (1,078) | | | | (620) | | | 5,407 | |
| 28 | | | | | | | | | | | | | |
| 29 | Reconciliation Amount | | \$413,107 | | (\$62,669) | | | | (\$36,075) | | | \$314,362 | |
| 30 | | | | | | | | | | | | | |
| 31 | Authorized Revenues (9/12th) | | \$35,305,293 | | | | | | \$35,305,293 | | | \$35,305,293 | |
| 32 | | | | | | | | | | | | | |
| 33 | Current Reconciliation Factor Percentage | | 1.170% | | -0.178% | | | | -0.102% | | | 0.890% | |
| 34 | | | | | | | | | | | | | |

Explanation:

Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total ratebase is calculated by the Tennessee Regulatory Authority in a rate case. This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

Tennessee American Water Company
For 12 Months Ended December 31, 2015
2015 Capital Riders Reconciliation - Charge Detail Summary by Rider

| Line | Rider | Charge Type | Additions | Removals | Total |
|------|------------|-------------------------------|---------------|------------|---------------|
| 1 | QIIP | Labor | \$ 696,410 | \$ 200,437 | \$ 896,847 |
| 2 | | Labor Overhead | 361,764 | 98,411 | 460,175 |
| 3 | | Licenses, Permits & Misc Fees | 96,937 | 17,348 | 114,284 |
| 4 | | Materials & Supplies | 444,334 | 48,436 | 492,770 |
| 5 | | Contracted Services | 1,797,564 | 85,274 | 1,882,838 |
| 6 | | Other - Paving | 1,129,833 | 137,423 | 1,267,256 |
| 7 | | Other | 742,407 | 244,027 | 986,434 |
| 8 | | Overhead | 526,046 | 263,665 | 789,711 |
| 9 | | Salvage Cash | - | (158,452) | (158,452) |
| 10 | | Service Company Charges | - | - | - |
| 11 | | CWIP Accrual | (88,601) | 3,435 | (85,166) |
| 12 | | AFUDC Debt | 43,114 | - | 43,114 |
| 13 | | AFUDC Equity | 39,358 | - | 39,358 |
| 14 | | | | | |
| 15 | QIIP Total | | \$ 5,789,163 | \$ 940,005 | \$ 6,729,168 |
| 16 | | | | | |
| 17 | EDI | Labor | \$ 25,973 | \$ 21 | \$ 25,993 |
| 18 | | Labor Overhead | 12,751 | 8 | 12,759 |
| 19 | | Licenses, Permits & Misc Fees | 4,837 | - | 4,837 |
| 20 | | Materials & Supplies | 167,677 | 189 | 167,866 |
| 21 | | Contracted Services | 211,161 | 505 | 211,667 |
| 22 | | Other - Paving | 59,950 | 130 | 60,080 |
| 23 | | Other | 4,482 | 2 | 4,484 |
| 24 | | Overhead | 42,142 | 78 | 42,220 |
| 25 | | Salvage Cash | - | - | - |
| 26 | | Service Company Charges | - | - | - |
| 27 | | CWIP Accrual | 6,833 | - | 6,833 |
| 28 | | AFUDC Debt | 5,613 | - | 5,613 |
| 29 | | AFUDC Equity | 5,084 | - | 5,084 |
| 30 | | | | | |
| 31 | EDI Total | | \$ 546,502 | \$ 933 | \$ 547,435 |
| 32 | | | | | |
| 33 | SEC | Labor | \$ 143,292 | \$ 1,507 | \$ 144,798 |
| 34 | | Labor Overhead | 70,348 | 714 | 71,062 |
| 35 | | Licenses, Permits & Misc Fees | 1,467 | - | 1,467 |
| 36 | | Materials & Supplies | 4,584,853 | 283 | 4,585,136 |
| 37 | | Contracted Services | 9,285,224 | 259,435 | 9,544,659 |
| 38 | | Other - Paving | 9,650 | - | 9,650 |
| 39 | | Other | 594,763 | 192,716 | 787,480 |
| 40 | | Overhead | 1,263,376 | 4,670 | 1,268,045 |
| 41 | | Salvage Cash | - | - | - |
| 42 | | Service Company Charges | 237,488 | - | 237,488 |
| 43 | | CWIP Accrual | 1,005,760 | - | 1,005,760 |
| 44 | | AFUDC Debt | 437,205 | - | 437,205 |
| 45 | | AFUDC Equity | 396,014 | - | 396,014 |
| 46 | | | | | |
| 47 | SEC Total | | \$ 18,029,441 | \$ 459,324 | \$ 18,488,765 |

Tennessee American Water Company
For 12 Months Ended December 31, 2015
2015 Capital Rider Reconciliation - Charge Detail Summary by Work Order

| Line | Rider | Work Order # | Work Order Description | Additions | Removals | Total |
|------|-------|--------------------|-------------------------------------|--------------|------------|--------------|
| 1 | QIIP | R26-02B1.13-P-0020 | INSTALL 860'-8" MAIN & FH IN | \$ - | \$ 6,324 | \$ 6,324 |
| 2 | | R26-02B1.13-P-0021 | INSTALL 645'-6" MAIN IN CRESCENT | - | 14,618 | 14,618 |
| 3 | | R26-02B1.13-P-0022 | INSTALL 575' -6" MAIN IN 1ST | 1,606 | 4,272 | 5,878 |
| 4 | | R26-02B1.13-P-0024 | INSTALL 6" IN | 0 | 6,316 | 6,316 |
| 5 | | R26-02B1.14-P-0001 | Blanket Work Order | (1,327) | - | (1,327) |
| 6 | | R26-02B1.14-P-0005 | Silverdale Wrkhouse 12" main instal | - | - | - |
| 7 | | R26-02B1.14-P-0007 | Sunbeam Ave Main Replacement. | 415 | 3,487 | 3,902 |
| 8 | | R26-02B1.15-P-0001 | Blanket Work Order | (39) | - | (39) |
| 9 | | R26-02B1.15-P-0003 | Standifer Rd Main Replacement | 69,783 | 2,222 | 72,005 |
| 10 | | R26-02B1.15-P-0004 | Michigan St Main Replacement | 68,770 | 2,378 | 71,147 |
| 11 | | R26-02B1.15-P-0005 | West 47th St Main Replacement | 101,536 | - | 101,536 |
| 12 | | R26-02B1.15-P-0006 | East 34TH,35TH & 36TH Main | 234,664 | - | 234,664 |
| 13 | | R26-02B1.15-P-0007 | Signal View Main Replacement | 223,856 | - | 223,856 |
| 14 | | R26-02B1.15-P-0008 | Centro St Main Replace 1100' 6" | 86,806 | - | 86,806 |
| 15 | | R26-02B1.15-P-0013 | Pirtle St 4" Main Replacement | 25,684 | 1,040 | 26,724 |
| 16 | | R26-02B1.15-P-0014 | Fairy Trail Main Replacement | 341,001 | - | 341,001 |
| 17 | | R26-02C1.07-P-0005 | Unscheduled Main Replacements AS | 31,996 | (0) | 31,996 |
| 18 | | R26-02C1.07-P-0007 | Unsch Main Rep-Ft Oglethorpe GA | (2) | (0) | (2) |
| 19 | | R26-02C1.13-P-0001 | Mains - Unscheduled Blanket | (150,137) | 0 | (150,137) |
| 20 | | R26-02C1.14-P-0001 | Mains-Unscheduled | (801,070) | - | (801,070) |
| 21 | | R26-02C1.14-P-0002 | MEMORIAL DRIVE 16" MAIN REPAIR | - | 1,111 | 1,111 |
| 22 | | R26-02C1.15-P-0001 | Blanket Work Order | 1,795,128 | 195,373 | 1,990,501 |
| 23 | | R26-02D1.11-P-0001 | US27 BTN RIVERFRONT | 959,624 | - | 959,624 |
| 24 | | R26-02D1.14-P-0004 | BONNY OAKS @ VOLKSWAGEN 12" | 163,440 | 65,729 | 229,169 |
| 25 | | R26-02D1.14-P-0009 | Calhoun Avenue 16" relocation with | 217,398 | - | 217,398 |
| 26 | | R26-02D1.14-P-0010 | retire 1250' - 12" main in Olan Mil | - | 41,605 | 41,605 |
| 27 | | R26-02D1.14-P-0011 | Seneca Ave Offset 8" Main around 2 | 4,338 | 2,665 | 7,003 |
| 28 | | R26-02D1.15-P-0002 | Kellys Ferry Road Offset | 9,495 | - | 9,495 |
| 29 | | R26-02F1.07-P-0004 | Hyd & Vlvs-Repl-Dade Cnty GA ALL A | 10 | (0) | 10 |
| 30 | | R26-02F1.07-P-0005 | Hyd & Vlvs-Repl-Catoosa Cnty GA AS | 108 | - | 108 |
| 31 | | R26-02F1.07-P-0006 | Hydrants Replaced AS | (10) | 0 | (10) |
| 32 | | R26-02F1.07-P-0007 | Valves Replaced AS | 4 | (0) | 4 |
| 33 | | R26-02F1.07-P-0011 | Hyd & Vlvs-Repl-East Ridge TN ALL | - | - | - |
| 34 | | R26-02F1.13-P-0001 | Hydrants Valves and Manholes-Rep- | (29,071) | 0 | (29,071) |
| 35 | | R26-02F1.14-P-0001 | Hydrants Valves and Manholes-Rep | (186,266) | (0) | (186,266) |
| 36 | | R26-02F1.14-P-0002 | CENTRAL AVE 20" VALVE | 4,847 | 2,843 | 7,689 |
| 37 | | R26-02F1.14-P-0003 | Purchase (2) 6" Wheel Valves | - | 883 | 883 |
| 38 | | R26-02F1.15-P-0001 | Blanket Work Order | 497,585 | 35,494 | 533,079 |
| 39 | | R26-02F1.16-P-0001 | Replaced Hydrants / Valves 2016 | 1,768 | - | 1,768 |
| 40 | | R26-02H1.07-P-0001 | 3/4 Renewed Services AS | 288 | (0) | 288 |
| 41 | | R26-02H1.07-P-0010 | 1 Renewed Services AS | (53) | (0) | (53) |
| 42 | | R26-02H1.07-P-0011 | 2 Renewed Services AS | (0) | - | (0) |
| 43 | | R26-02H1.13-P-0001 | Services and Laterals-Replaced - Bl | (66,759) | - | (66,759) |
| 44 | | R26-02H1.14-P-0001 | Services and Laterals-Replaced | (345,407) | - | (345,407) |
| 45 | | R26-02H1.15-P-0001 | Blanket Work Order | 780,899 | 196,727 | 977,626 |
| 46 | | R26-02H1.16-P-0001 | Renewed Services 2016 | 454 | - | 454 |
| 47 | | R26-02J1.07-P-0011 | 5/8 Renewed Settings AS | (314,245) | 0 | (314,245) |
| 48 | | R26-02J1.13-P-0001 | Meters-Replaced -Blanket | (30,621) | 0 | (30,621) |
| 49 | | R26-02J1.14-P-0001 | Meters-Replaced | (601,065) | (0) | (601,065) |
| 50 | | R26-02J1.15-P-0001 | Blanket Work Order | 1,595,218 | 356,918 | 1,952,136 |
| 51 | | R26-02R1.11-P-0001 | Elder Mtn Receiving Tank AS | 46,367 | - | 46,367 |
| 52 | | R26-02R1.13-P-0002 | Aldrich Unit #7 and #8 Rehabilitati | (27,545) | - | (27,545) |
| 53 | | R26-02R1.14-P-0002 | TANK EVALUATION FOR CLEARWELL | 84 | - | 84 |
| 54 | | R26-02R1.15-P-0002 | E Brainerd Standpipe Rehab | 544,535 | - | 544,535 |
| 55 | | R26-03F1.15-P-0001 | Blanket Work Order | 315 | - | 315 |
| 56 | | R26-03H1.15-P-0001 | Blanket Work Order | 243 | - | 243 |
| 57 | | R26-03J1.15-P-0001 | Blanket Work Order | 62 | - | 62 |
| 58 | | R26-03R1.14-P-0002 | TANK EVALUATION FOR SUCK CREEK | 130 | - | 130 |
| 59 | | R26-05B1.14-P-0002 | W. GEORGIA AVE MAIN | (13,596) | - | (13,596) |
| 60 | | R26-05C1.14-P-0001 | Unscheduled Main Replacements | (278) | - | (278) |
| 61 | | R26-05C1.15-P-0001 | Blanket Work Order | 25,965 | - | 25,965 |
| 62 | | R26-05F1.14-P-0001 | Blanket Work Order | (966) | - | (966) |
| 63 | | R26-05F1.15-P-0001 | Blanket Work Order | 3,119 | - | 3,119 |
| 64 | | R26-05H1.14-P-0001 | Blanket Work Order | 3,879 | - | 3,879 |
| 65 | | R26-05H1.15-P-0001 | Blanket Work Order | 54,918 | - | 54,918 |
| 66 | | R26-05H1.16-P-0001 | Renewed Services WW 2016 | 528 | - | 528 |
| 67 | | R26-05J1.14-P-0002 | Whitwell Meter Change Program | 408,432 | - | 408,432 |
| 68 | | R26-05J1.14-P-0003 | Replace Whitwell High School Meter | 16,296 | - | 16,296 |
| 69 | | R26-05J1.15-P-0001 | Blanket Work Order | 36,030 | - | 36,030 |
| 70 | | | | | | |
| 71 | | QIIP Total | | \$ 5,789,163 | \$ 940,005 | \$ 6,729,168 |
| 72 | | | | | | |
| 73 | EDI | R26-02A1.13-P-0004 | JEFFERSON ST PHASE 3 | \$ - | \$ - | \$ - |
| 74 | | R26-02A1.14-P-0002 | OLAN MILLS DR 12" MAIN | 104,693 | - | 104,693 |
| 75 | | R26-02A1.15-P-0002 | Obey Street Main Extension | 56,089 | - | 56,089 |
| 76 | | R26-02A1.15-P-0003 | Mountain Creek Road Cross Tie | 32,858 | - | 32,858 |
| 77 | | R26-02E1.07-P-0007 | New Valves AS | (1,606) | - | (1,606) |
| 78 | | R26-02E1.07-P-0008 | Hyd & Vlvs-New-Ft Oglethorpe GA | (337) | - | (337) |
| 79 | | R26-02E1.07-P-0009 | Hyd & Vlvs-New-Hamilton Cnty TN | (1,088) | - | (1,088) |

Petitioner's Exhibit--Work Order Detail Summary--LCB
Page 2 of 2

Tennessee American Water Company
For 12 Months Ended December 31, 2015
2015 Capital Rider Reconciliation - Charge Detail Summary by Work Order

| Line | Rider | Work Order # | Work Order Description | Additions | Removals | Total |
|------|-------------|--------------------|-------------------------------------|---------------|--------------|---------------|
| 80 | | R26-02E1.13-P-0001 | Hydrants Valves and Manholes-New- | (41,671) | - | (41,671) |
| 81 | | R26-02E1.14-P-0001 | Hydrants - Valves and Manholes- | (25,954) | - | (25,954) |
| 82 | | R26-02E1.14-P-0005 | RELOCATE FH ON CHICKAMAUGA | 200 | 933 | 1,133 |
| 83 | | R26-02E1.15-P-0001 | Blanket Work Order | 120,907 | - | 120,907 |
| 84 | | R26-03E1.15-P-0001 | Blanket Work Order | 17,129 | - | 17,129 |
| 85 | | R26-05A1.14-P-0003 | Hwy 28 12 and 8 DI Main Extension | 265,967 | - | 265,967 |
| 86 | | R26-05A1.15-P-0003 | Hwy 27 6" Main Extension | 11,162 | - | 11,162 |
| 87 | | R26-05E1.14-P-0001 | Blanket Work Order | 2,435 | - | 2,435 |
| 88 | | R26-05E1.15-P-0001 | Blanket Work Order | 5,718 | - | 5,718 |
| 89 | | | | | | |
| 90 | EDI Total | | | \$ 546,502 | \$ 933 | \$ 547,435 |
| 91 | | | | | | |
| 92 | SEC | I26-020032-01 | Wastewater Treatm't & Handling | \$ 15,043,463 | \$ - | \$ 15,043,463 |
| 93 | | R26-02L1.14-P-0003 | UPGRADE COMMUNICATIONS | - | 232 | 232 |
| 94 | | R26-02L1.15-P-0002 | (2) Controllers for Filter Plant - | 210,647 | - | 210,647 |
| 95 | | R26-02L1.15-P-0003 | FiberConduit Run | 7,471 | - | 7,471 |
| 96 | | R26-02M1.15-P-5002 | Citico security wiring | 24,980 | - | 24,980 |
| 97 | | R26-02Q1.12-P-0013 | Repl Elmendorf #8 Motor | - | 25 | 25 |
| 98 | | R26-02Q1.13-P-0012 | Repl. #11 H.S. Motor & Coupling | 120,703 | 364 | 121,067 |
| 99 | | R26-02Q1.14-P-0006 | Citico Station WTP Filter #4 Rehab | (62,232) | 29,956 | (32,276) |
| 100 | | R26-02Q1.14-P-0024 | Repl. Safety Shower & Mixing Valve | 2,532 | 2,501 | 5,032 |
| 101 | | R26-02Q1.14-P-0026 | Panorama Booster Touch Screen | 2,587 | 105 | 2,692 |
| 102 | | R26-02Q1.14-P-0031 | Replace Roof @ Rossville Station | (1,710) | 1 | (1,709) |
| 103 | | R26-02Q1.14-P-0032 | Replace Roof @ Red Bank Station | (1,249) | 1 | (1,249) |
| 104 | | R26-02Q1.14-P-0033 | Replace Roof @ New York Station | (345) | 1 | (344) |
| 105 | | R26-02Q1.14-P-0034 | Replace Roof @ Elder Mtn. Station | (715) | 1 | (714) |
| 106 | | R26-02Q1.14-P-0035 | Replace Roof @ Citico Office | (4,750) | 1 | (4,749) |
| 107 | | R26-02Q1.14-P-0036 | Replace Roof @ Screen House | (700) | 1 | (699) |
| 108 | | R26-02Q1.14-P-0037 | Plant 1 Post Chlorine Feed Line Rep | - | 57 | 57 |
| 109 | | R26-02Q1.14-P-0038 | Install New PVC Valves/Chlorine F | 2,099 | 75 | 2,173 |
| 110 | | R26-02Q1.14-P-0039 | Replace VFD @ Crestwood | 4,464 | 44 | 4,508 |
| 111 | | R26-02Q1.14-P-0040 | Repl Hose Reels/Hoses for Air Respi | 2,674 | 46 | 2,720 |
| 112 | | R26-02Q1.15-P-0002 | Replace Underdrain 11 in Filter Hse | 144,294 | - | 144,294 |
| 113 | | R26-02Q1.15-P-0003 | Replace Underdrain 1 in Filter Hse | 215,582 | - | 215,582 |
| 114 | | R26-02Q1.15-P-0004 | Replace Underdrain 2 in Filter Hse | 236,739 | - | 236,739 |
| 115 | | R26-02Q1.15-P-0005 | Replace Underdrain 5 in Filter Hse | 211,094 | - | 211,094 |
| 116 | | R26-02Q1.15-P-0006 | Replace Underdrain 6 in Filter Hse | 210,603 | - | 210,603 |
| 117 | | R26-02Q1.15-P-0007 | Replace Underdrain 9 in Filter Hse | 167,990 | - | 167,990 |
| 118 | | R26-02Q1.15-P-0010 | Citico Pump Station Air Compressor | 31,861 | - | 31,861 |
| 119 | | R26-02Q1.15-P-0011 | Replace DP Meters in #2 Filter Hous | 102,800 | 5,553 | 108,353 |
| 120 | | R26-02Q1.15-P-0012 | Fluoride Transfer Pump @ Chemi | 1,029 | 1 | 1,030 |
| 121 | | R26-02Q1.15-P-0013 | Gate | 16,599 | - | 16,599 |
| 122 | | R26-02Q1.15-P-0014 | Generator Cables for Cummings | 9,624 | - | 9,624 |
| 123 | | R26-02Q1.15-P-0015 | Missionary Ridge Tank Stair | 25,654 | - | 25,654 |
| 124 | | R26-02Q1.15-P-0016 | GE Multin 469 Switch | 45 | 0 | 45 |
| 125 | | R26-02Q1.15-P-0017 | Install 13 (Custom) Shaft Guards | 14,422 | - | 14,422 |
| 126 | | R26-02Q1.15-P-0018 | Rehab Filter Underdrains #8 #3 #7 | 846,214 | 403,020 | 1,249,235 |
| 127 | | R26-02Q1.15-P-0021 | 16 Cone Vlv w/Hyd Cylinder | 76,820 | - | 76,820 |
| 128 | | R26-02Q1.15-P-0022 | 18" Cone Vlv w/Hyd Cylinder #1 | 75,378 | - | 75,378 |
| 129 | | R26-02Q1.15-P-0024 | Replace H.S. #16 Valve | 27,468 | - | 27,468 |
| 130 | | R26-02Q1.15-P-0025 | Citico Vault Lid Replacements | 27,713 | 277 | 27,990 |
| 131 | | R26-02Q1.15-P-0026 | 6" Mueller MJ Gate Valve Open Left | 597 | 6 | 603 |
| 132 | | R26-02Q1.15-P-0028 | Actuator for Sludge Vault | 4,211 | - | 4,211 |
| 133 | | R26-02Q1.15-P-0029 | Sample Fridge/Freezer for WTP Lab | 1,140 | 12 | 1,151 |
| 134 | | R26-02Q1.15-P-0030 | Mag Meter for Sludge Flow | 5,134 | - | 5,134 |
| 135 | | R26-02Q1.15-P-0031 | Repl Soft Start Missionary Rdg Boos | 8,300 | - | 8,300 |
| 136 | | R26-02Q1.15-P-0034 | Vault 3A 54 Tap Saddle Install | 5,985 | - | 5,985 |
| 137 | | R26-03Q1.15-P-0001 | PUR Chlorine Analyzer | 3,877 | - | 3,877 |
| 138 | | R26-05L1.13-P-0001 | Whitwell Booster & Tank | (103,859) | - | (103,859) |
| 139 | | R26-05L1.14-P-0002 | Whitwell Booster | 112,385 | - | 112,385 |
| 140 | | R26-05L1.14-P-0003 | Ketner Cove Tank PLC | - | 289 | 289 |
| 141 | | R26-05L1.14-P-0004 | Automation of Wiley Ross Booster St | 31,829 | - | 31,829 |
| 142 | | R26-05M1.15-P-5001 | Whitwell Security gate | 16,442 | - | 16,442 |
| 143 | | R26-05M1.15-P-5002 | Whitwell building security | 90,193 | - | 90,193 |
| 144 | | R26-05Q1.14-P-0005 | RET Old Filter Plant - Whitwell | - | 10,440 | 10,440 |
| 145 | | R26-05Q1.14-P-0007 | REP Plant Turbidimeters | 19,039 | - | 19,039 |
| 146 | | R26-05Q1.15-P-0002 | Replac flocculator drive moter | 5,488 | 5,488 | 10,977 |
| 147 | | R26-05Q1.15-P-0003 | Replace inline booster on incline | 1,281 | 67 | 1,349 |
| 148 | | R26-05Q1.15-P-0004 | Replace drain pipes at filter plant | 367 | 19 | 387 |
| 149 | | R26-05Q1.15-P-0005 | Replacement of 200 AMP | 5,309 | 108 | 5,418 |
| 150 | | R26-05Q1.15-P-0006 | PUR Streaming Current Monitor | 14,348 | - | 14,348 |
| 151 | | R26-05Q1.15-P-0007 | Replaced pump bowl assembly | 12,021 | 633 | 12,654 |
| 152 | | R26-05Q1.15-P-0008 | Replace Controller At Tanya Lynn Ta | 3,502 | - | 3,502 |
| 153 | | | | | | |
| 154 | SEC Total | | | \$ 18,029,441 | \$ 459,324 | \$ 18,488,765 |
| 155 | | | | | | |
| 156 | Grand Total | | | \$ 24,365,106 | \$ 1,400,262 | \$ 25,765,368 |
| 157 | | | | | | |
| 158 | | | | | | |

MONTHLY REPORT OF REVENUES, EXPENSES AND INVESTMENTS

WATER COMPANIES

Petitioner's Exhibit--December 2015 Monthly Report to TRA--LCB

Company Name: Tennessee American Water Co.

Month of Report: December 2015

Page 1 of 5

PSC--3.06

| (a) | Amount for this Month | | Year-To-Date | | 12 Months-To-Date | |
|---|--|--|--|---|-------------------|------------------|
| | This Year (b) | Last Year (c) | This Year (d) | Last Year (e) | This Year (f) | Last Year (g) |
| Operating Revenues | | | | | | |
| 1. Residential Sales..... | 1,609,256 | 1,563,215 | 21,230,424 | 20,578,982 | 21,230,424 | 20,578,982 |
| 2. Commercial Sales..... | 1,122,898 | 1,139,321 | 15,436,866 | 14,816,186 | 15,436,866 | 14,816,186 |
| 3. Industrial Sales..... | 340,289 | 328,692 | 4,016,564 | 4,157,267 | 4,016,564 | 4,157,267 |
| 4. Other Sales..... | 615,817 | 625,613 | 8,265,228 | 8,351,962 | 8,265,228 | 8,351,962 |
| 5. Total Operating Revenues (Item 1-4)..... | 3,688,260 | 3,656,841 | 48,949,082 | 47,904,397 | 48,949,082 | 47,904,397 |
| Operating Expenses | | | | | | |
| 6. Source of Supply Expense..... | 52,405 | 13,556 | 281,015 | 143,313 | 281,015 | 143,313 |
| 7. Pumping and Water Treatment Expense..... | 424,691 | 388,423 | 5,313,804 | 5,664,565 | 5,313,804 | 5,664,565 |
| 8. Transmission and Distribution-Operation..... | 122,150 | 86,023 | 1,254,715 | 1,017,568 | 1,254,715 | 1,017,568 |
| 9. Transmission and Distribution-Maintenance..... | 72,861 | 62,422 | 1,170,582 | 1,093,375 | 1,170,582 | 1,093,375 |
| 10. Customer Accounts and Sales Expense..... | 115,496 | 157,837 | 1,975,287 | 2,584,352 | 1,975,287 | 2,584,352 |
| 11. Administrative and General Expense..... | 1,400,952 | 1,407,692 | 12,759,625 | 12,356,461 | 12,759,625 | 12,356,461 |
| 12. Depreciation and Amortization..... | 598,941 | 560,155 | 6,900,992 | 6,862,680 | 6,900,992 | 6,862,680 |
| 13. Taxes Other Than Income Taxes..... | 254,921 | 529,824 | 4,841,982 | 5,049,122 | 4,841,982 | 5,049,122 |
| 14. Income Taxes..... | 159,075 | 104,804 | 5,149,949 | 4,392,218 | 5,149,949 | 4,392,218 |
| 15. Total Operating Expenses (Item 6-14)..... | 3,201,492 | 3,310,735 | 39,647,951 | 39,163,654 | 39,647,951 | 39,163,654 |
| 16. Net Operating Income (Item 5 less 15)..... | 486,769 | 346,106 | 9,301,131 | 8,740,743 | 9,301,131 | 8,740,743 |
| Gain/Loss on Sale | | | | | | |
| 17. Other Income..... | 284,561 | | | | | |
| 18. Miscellaneous Income Deductions..... | 2,361 | (15) | (23,855) | (38,713) | (23,855) | (38,713) |
| 19. Interest Charges..... | 2,674 | (1,296) | 27,074 | 12,982 | 27,074 | 12,982 |
| 20. Net Income..... | 285,444 | 281,568 | 3,555,512 | 3,585,473 | 3,555,512 | 3,585,473 |
| | (88,272) | 65,848 | 5,694,690 | 5,103,575 | 5,694,690 | 5,103,575 |
| | | | | | | |
| | Balance at End of Month This Year (h) | Balance at End of Month Last Year (i) | Aver. for 12 Mo.- To-Date This Year (j) | Aver. for 12 Mo.-To-Date Last Year (k) | | |
| 21. Utility Plant In Service.....(1)..... | 282,919,038 | 260,534,843 | 265,441,822 | 263,704,683 | | |
| 22. Construction Work in Progress..... | 4,004,785 | 11,099,564 | 13,245,098 | 7,879,559 | | |
| 23. Utility Plant Acquisition Adjustment..... | 0 | 0 | 0 | 0 | | |
| 24. Property Held for Future Use..... | 0 | 0 | 0 | 0 | | |
| 25. Accumulated Depreciation and Amort..(1)..... | 81,362,311 | 76,885,138 | 79,109,291 | 83,390,340 | | |
| 26. Materials and Supplies..... | 750,083 | 830,693 | 782,883 | 697,283 | | |
| 27. Unamortized Investment Credit..... | 505,320 | 581,688 | 540,322 | 616,690 | | |
| 28. Deferred Income Tax..... | 35,860,570 | 29,984,273 | 31,675,231 | 32,474,903 | | |
| 29. Contributions in Aid of Construction..... | 13,439,172 | 12,586,611 | 12,891,746 | 12,592,484 | | |
| 30. Customer Advances for Construction..... | 5,199,870 | 5,163,441 | 5,111,486 | 4,814,889 | | |
| 31. Preferred Stock..... | 0 | 0 | 0 | 0 | | |
| 32. Common Stock..... | 13,754,235 | 13,754,235 | 13,754,235 | 13,754,235 | | |
| 33. Premium on Capital Stock and Other Capital..... | 26,419,241 | 24,397,825 | 26,242,260 | 24,387,753 | | |
| 34. Retained Earnings..... | 28,487,471 | 26,760,908 | 28,505,189 | 26,690,790 | | |
| 35. Long Term Debt.....(1)..... | 64,438,953 | 60,614,904 | 64,708,567 | 64,201,740 | | |

(1) Includes Capital Lease

| Line # | | Average Monthly Balance | Average for 12 MTD |
|--------|--|-------------------------|--------------------|
| 1 | Additions: | | |
| 2 | Plant in Service | \$282,919,038 | \$264,514,031 |
| 3 | Plant Under Construction | 4,004,785 | 13,245,098 |
| 4 | Property Held For Future Use | 0 | 0 |
| 5 | Materials and Supplies | 750,083 | 782,883 |
| 6 | Other Additions: | | |
| 7 | Leased Utility Plant | 0 | 927,792 |
| 8 | Unamortized Painting - net | 0 | 0 |
| 9 | Working Capital C/ | 3,409,884 | 3,409,884 |
| 10 | | | |
| 11 | Total Additions | 291,083,790 | 282,879,688 |
| 12 | | | |
| 13 | | | |
| 14 | Deductions: | | |
| 15 | Accumulated Depreciaton and Amortization | 81,362,311 | 79,109,292 |
| 16 | Accumulated Deferred Income Taxes | 35,860,570 | 31,675,231 |
| 17 | Unamortized Investment Credit - Pre 1971 | 12,967 | 14,386 |
| 18 | Customer Deposits | 0 | 0 |
| 19 | Other Deductions: | | |
| 20 | Contributions in Aid of Construction | 13,439,172 | 12,891,746 |
| 21 | Customer Advances for Construction | 5,199,870 | 5,111,486 |
| 22 | All Other A/ | (50,452) | (242,173) |
| 23 | | | |
| 24 | | | |
| 25 | | | |
| 26 | Total Deductions | 135,824,438 | 128,559,968 |
| 27 | | | |
| 28 | Rate Base | \$155,259,352 | \$154,319,720 |
| 29 | | | |
| 30 | Net Operating Income | \$486,769 | \$9,301,131 |
| 31 | Adjustments to NOI | | |
| 32 | Allowance for funds used during construction | 26,289 | 1,052,706 |
| 33 | Adjustment to reflect effective federal | | |
| 34 | Income tax rate (debt assigned to parent) | 17,615 | 210,107 |
| 35 | Interest on customer deposits | 0 | 0 |
| 36 | | | |
| 37 | | | |
| 38 | | | |
| 39 | Adjusted Net Operating Income | \$530,673 | \$10,563,944 |
| 40 | | | |
| 41 | | | |
| 42 | Rate of return B/ | 4.10% | 6.85% |

A/ All Other

| | | |
|-------------------------------------|------------|-------------|
| Acquisition adjustment | \$0 | \$0 |
| Accounts payable applicable to CWIP | 268,625 | 53,825 |
| Unpaid for materials and supplies | 38,256 | 50,084 |
| | | |
| Taxes on CIAC-DEF. FIT & SIT | (357,333) | (346,082) |
| | | |
| | (\$50,452) | (\$242,173) |

B/ Rate of return - Monthly (L39 / L28) x 12

C/ Per order

| | |
|-------------------------------------|-------------|
| Cash working capital Lead Lag Study | \$591,674 |
| Incidental collection | (116,192) |
| | |
| Average cash | 0 |
| Other components | 2,934,402 |
| | |
| Working cash | \$3,409,884 |

TENNESSEE REGULATORY AUTHORITY
MONTHLY REPORT
Dec-15

Listed below is the gross amount of changes, which would affect operating income and are not fully reflected in the r shown in the report. Also, attached is an analysis of meters in service by size and by revenue classification.

| ITEM | AVG. MONTHLY INCREASE | NO. OF PERIODS | 12 MONTHS TO DATE |
|---|-----------------------------|-------------------|----------------------|
| Salary: 1-1-12 Increase | \$ 37,678.16 | 6 | \$ 226,068.96 |
| Hourly: 11-1-12 Increase | \$ 7,000.93 | 3 | \$ 21,002.79 |
| Sub-total | | | \$ 247,071.75 |
| Plus: Pensions, Insurance and Taxes 0.564 | | | \$ 139,348.47 |
| Total | | | \$ 386,420.22 |

| ACCOUNTS PAYABLE IN | Dec-15 |
|---|--------|
| Applicable to Utility Plant in Service | \$ - |
| Applicable to Construction Work in Progress | \$ - |
| Unpaid for Materials and Supplies | \$ - |

TENNESSEE-AMERICAN WATER COMPANY
METERS IN SERVICE AT THE END OF THE PERIOD
Dec-15

| Meter Size (a) | Residential (b) | Commercial (c) | Industrial (d) | Other (e) | Total (f) |
|---------------------|----------------------|---------------------|---------------------|----------------|----------------|
| 36. 5/8" | 63,522 | 4,932 | 24 | 177 | 68,655 |
| 37. 3/4" | 106 | 122 | 2 | 11 | 241 |
| 38. 1" | 234 | 1,481 | 22 | 134 | 1,871 |
| 39. 1 1/2" | 17 | 391 | 6 | 76 | 490 |
| 40. 2" | 19 | 1,091 | 75 | 303 | 1,488 |
| 41. 3" | | 51 | | 6 | 57 |
| 42. 4" & Over | 1 | 52 | 24 | 37 | 114 |
| 43. Totals | 63,899 | 8,120 | 153 | 744 | 72,916 |

INSTRUCTIONS


1. This report is required of all water companies which had operating revenues for the proceeding year in excess of \$1,500,000 as provided in the Commission's rules. Prepare on a typewriter and file within 60 days after the end of the month covered by the report. Show amounts adjusted to the nearest dollar.
2. If any amount for the current month differs materially from that for the previous month or the same month a year ago and the difference is not self-explanatory, annotate the amount and explain the occasioning facts under "Remarks".
3. List the type and number of other customers in the water meters in service section under "Remarks".

REMARKS

N/A

I certify that to the best of my knowledge and belief this is a true and correct report:

Date: 2/29, 20 16

(Signed) 
Title and Address: Manager - Rates & Regulation
109 Wiehl Street
Chattanooga, TN 37403

CONTINUING SURVEILLANCE CONSIDERATIONS- Dec-15

Estimate the effect on annual net operating income of very significant known changes occurring within the period covered by the report, which are not fully reflected in the revenue and expense amounts shown in the report.

| | |
|---|------------|
| (1) Employee wage increases (including associated insurance & taxes) | 236,102.75 |
|---|------------|

TENNESSEE-AMERICAN WATER COMPANY

TRA NO. 19
Third Revised Sheet No. 12-Riders-1

CLASSIFICATION OF SERVICE

SUMMARY OF RIDERS

1. Applicability

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations


For the Riders defined in the tariffs :

| | | |
|---|----------------|-----|
| QIIP | 2.13 % | |
| EDI | 0.05 % | |
| <u>SEC</u> | <u>3.54 %</u> | |
| Subtotal of all Capital Recovery Riders | 5.72 % | |
| QIIP Annual Reconciliation Percentage | 0.254 % | (I) |
| EDI Annual Reconciliation Percentage | -0.150 % | (I) |
| <u>SEC Annual Reconciliation Percentage</u> | <u>0.06 4%</u> | (I) |
| Subtotal of all Reconciliation Percentages | 0.16 8% | (I) |
| Total of Capital Recovery Riders and Reconciliation Percentages | 5.888 % | (I) |
| PCOP | -0.73 % | |

ISSUED: October 28, 2015

EFFECTIVE: November 1- December 31, 2015

BY:


Deron E. Allen
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

TENNESSEE-AMERICAN WATER COMPANY

TRA NO. 19
Sixth Revised Sheet No. 12-Riders-1

CLASSIFICATION OF SERVICE

SUMMARY OF RIDERS

1. Applicability

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

For the Riders defined in the tariffs :


| | | |
|---|-----------------|-----|
| QIIP | 4.56 % | |
| EDI | 0.10 % | |
| <u>SEC</u> | <u>5.72 %</u> | |
| Subtotal of all Capital Recovery Riders | 10.38 % | |
| QIIP Annual Reconciliation Percentage | 1.170 % | (I) |
| EDI Annual Reconciliation Percentage | -0.178 % | (D) |
| <u>SEC Annual Reconciliation Percentage</u> | <u>-0.102 %</u> | (D) |
| Subtotal of all Reconciliation Percentages | 0.890 % | |
| Total of Capital Recovery Riders and Reconciliation Percentages | 11.72% | |
| PCOP | -0.44 % | |

(D) Indicates Decrease
(I) Indicates Increase

ISSUED: March 1, 2016

EFFECTIVE: April 1, 2016

BY:


Valoria Armstrong
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

STATE OF Kentucky)
COUNTY OF Fayette)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Linda C. Bridwell, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.

Linda C. Bridwell
Linda C. Bridwell

Sworn to and subscribed before me
this 29th day of February, 2016.

Peggy A. Stone
Notary Public

My Commission Expires: 10/3/2016