

**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF TENNESSEE AMERICAN</b>	)	
<b>WATER COMPANY REGARDING THE</b>	)	<b>Docket No. 16-00126</b>
<b>2016 INVESTMENT AND RELATED</b>	)	
<b>EXPENSES UNDER THE QUALIFIED</b>	)	
<b>INFRASTRUCTURE INVESTMENT</b>	)	
<b>PROGRAM RIDER, THE ECONOMIC</b>	)	
<b>DEVELOPMENT INVESTMENT RIDER,</b>	)	
<b>AND THE SAFETY AND ENVIRONMENTAL</b>	)	
<b>COMPLIANCE RIDER</b>	)	

---

**CONSUMER ADVOCATE’S MOTION TO COMPEL**

---

The Consumer Protection and Advocate Division (“Consumer Advocate”) respectfully moves the Hearing Officer for an order requiring Tennessee American Water Company (“TAWC” or “Company”) to (a) comply with the tariff as established in TRA Docket No. 13-00130 and (b) to provide full and complete answers to the Consumer Advocate’s supplemental discovery requests enumerated below.

In TAWC’s letter initializing the 16-00126 docket, TAWC failed to file a verification by a company officer for the Qualified Infrastructure Investment Program Rider (“QIIP”), the Economic Development Investment Rider (“EDI”), and the Safety and Environmental Complaint Rider (“SEC”) (known collectively as the “Capital Riders”) as required by the tariff governing these Riders. Additionally, in each of the listed supplemental discovery requests, TAWC either (a) objected to the request and, in doing so, did not provide a substantive answer, or (b) simply failed to provide all of the data or information requested.

The grounds for this Motion are that TAWC (a) has failed to comply with the tariff requirements and (b) relies upon unfounded objections to which they are not entitled and,

therefore, should be ordered to provide substantive responses consistent with Tennessee law favoring open discovery.

The Consumer Advocate has made a good faith attempt to settle this dispute with Counsel for TAWC, but the Parties have been unable to reach an agreement. In order to address the conflict over the discovery responses and have time to provide testimony regarding any responses that TAWC may be required to supplement if this Motion to Compel is granted, the Consumer Advocate is also filing a Motion to Extend Time in the Procedural Schedule.

### **BACKGROUND**

TAWC filed the original Capital Riders petition in Docket No. 13-00130 on October 4, 2013. On October 23, 2013, the Consumer Advocate's Petition to Intervene was granted. After discovery and testimony, TAWC and the Consumer Advocate filed a Stipulation regarding the proper implementation of the Capital Riders, which included a requirement for verification for the percentages and underlying accounting by a company officer.

On December 20, 2016, an Order Establishing Procedural Schedule ("Procedural Schedule") was filed in this Docket. That Procedural Schedule required that all of Petitioner's Responses to Consumer Advocate's Supplemental Discovery Requests be provided by January 19, 2016. TAWC filed its responses to supplemental discovery requests on January 19, 2016, but TAWC objected to, and failed to include a response, to (a) number 4, subpart d; (b) number 19, subpart d; and (c) number 20. Additionally, number 1 and number 5 of TAWC's responses fail to fully address the subject matter of the Consumer Advocate's discovery requests.

### **ARGUMENT**

#### **I. TAWC's Filing in Docket No. 16-00126 Does Not Conform to the Tariff Requirements Set Forth in Docket No. 13-00130.**

TAWC and the Consumer Advocate entered into a Stipulation that was filed on January 10, 2014. *See Stipulation*, attached hereto as **Exhibit A**. The Stipulation included four attachments, establishing the provisions by which each of the Capital Riders and the Production Costs and Other Pass-Throughs Rider would be implemented.

Among the provisions agreed to by TAWC -- and within each of the sections pertaining to the QIIP, EDI, and SEC Riders -- are the following requirements:

[o]n before December 1 of each year, the Company shall submit to the Authority a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be **verified by an officer of the Company**. *Stipulation* at 14 (emphasis added).

[o]n before December 1 of each year, the Company shall submit to the Authority a calculation of the EDI Percentage Rate for the following calendar year. The Annual EDI Percentage Rate Filing shall be **verified by an officer of the Company**. *Stipulation* at 25 (emphasis added).

[o]n before December 1 of each year, the Company shall submit to the Authority a calculation of the SEC Percentage Rate for the following calendar year. The Annual SEC Percentage Rate Filing shall be **verified by an officer of the Company**. *Stipulation* at 36 (emphasis added).

TAWC, however, did not include a verification by a Company officer with its filing. Instead, TAWC filed a Secretary's Certificate. *See Secretary's Certificate*, attached hereto as **Exhibit B**. The Secretary's Certificate is signed by Nicole Boyd, who purports to be an assistant secretary for the Company. The document states that "Nicole Boyd . . . do[es] hereby certify that the following resolutions were adopted by Unanimous Consent of the Board of Directors . . . ."

The resolution section reads as follows:

WHEREAS, pursuant to the requirements of the Tennessee Regulatory Authority's approved Alternative Regulatory Mechanism, the attached current 2017 Capital Budget is submitted for approval; and

WHEREAS, pursuant to the requirements of the Tennessee Regulatory Authority's approved Alternative Regulatory Mechanism, the 2017 Forecasted QIIP Investment Amount, Forecasted EDI Investment Amount and Forecasted SEC

Investment Amount per the attachment are submitted for approval as reflected in the current 2017 Capital Budget; and

NOW THEREFORE BE IT,

RESOLVED, that the current 2017 Capital Budget and Forecasted QIIP Investment Amount, Forecasted EDI Amount and Forecasted SEC Investment Amount, attached hereto as Exhibit A, is hereby approved for filing with the Tennessee Regulatory Authority.

The Secretary's Certificate does not fulfill the requirements of the Stipulation set forth in Docket No. 13-00130 and is not adequate. In order for the filing to be complete, it must meet the requirements established in the tariff. An officer of the Company is required to verify the percentage rate filing for each of the Capital Riders and the underlying accounting submitted to the TRA for approval. The Secretary's Certificate, however, verifies nothing. It merely states that the TAWC board of directors is submitting the 2017 Capital Budget for approval to the TRA. No verification exists regarding the information that is contained within the Capital Riders filing or the underlying accounting.

Black's Law Dictionary defines the term "verification" as "[a] formal declaration made in the presence of an authorized officer, such as a notary public, or (in some jurisdictions) under oath but not in the presence of such an officer, **whereby one swears to the truth of the statements in the document.** *Black's Law Dictionary* (10th ed. 2014) (emphasis added).

The verification of the percentages sought for recovery by a Company officer is an important aspect of the filing because it ensures accuracy and corporate accountability. A corporate officer with knowledge of the filing should verify that the percentages filed for recovery under the Capital Riders mechanism are true to the costs actually incurred by the Company and allowable under the principles established in the original docket. This verification serves to

confirm that consumers are paying rates that are proper under the rate scheme established by the TRA.

TAWC's refusal to provide this verification adds confusion to this Docket. While the tariff expressly requires this corporate verification, TAWC's apparent unwillingness to stand by its percentage increases – and the underlying accounting that it avers to support those increases – raises the possibility that the records, calculations and underlying accounting may not be as sound as the tariff requires.

If the TRA were to allow TAWC to proceed without fulfilling its agreement to verify the percentages and underlying accounting, it could encourage others to disregard settlements, orders and tariffs. It might also allow TAWC to maintain an unfair advantage over other utilities operating under the TRA's oversight and its consumers. A gradual erosion of the requirements that TAWC must meet to recover under the alternative ratemaking statute serves to undermine the safeguards instituted to provide for a level playing field. Furthermore, verifying the accounting – even if this provision had not been agreed to by TAWC in the tariff – does not serve to inconvenience or unduly burden the Company in any way. If the percentages and underlying accounting are accurate, appropriate, and tie back to the general ledger, TAWC is not inconvenienced or burdened in any manner by having a corporate officer with knowledge of the filing sign a verification to this effect. If, however, this requirement is impossible due to any inaccuracies or lack of conformity with the tariff's requirements, TAWC's proposal to recover under the Capital Riders mechanisms should be disallowed.

**II. TAWC's Objections Fail to Reflect the Proper Application of Tennessee Law, Lack Foundation, and Contradict the Letter and Purpose of Discovery.**

**A. The Consumer Advocate's Supplemental Discovery Requests Are Relevant, Not Overly Broad, and Reasonably Calculated to Lead to the Discovery of Admissible Evidence.**

TAWC has objected to the Consumer Advocate's supplemental discovery request numbers 4d, 19d, and 20 – as well as in statements in the Copany's General Objections – on the grounds that the information sought is overly broad, not relevant, not calculated to lead to the discovery of relevant information, or a similar formulation or combination of those objections. TAWC also avers that the information sought by the Consumer Advocate is unnecessary for the Company to track and thus does not exist. Regardless of how formulated or combined, though, TAWC's objections do not properly apply Tennessee law, lack foundation, and contradict the letter and purpose of discovery, especially in the context of a TRA docket that is, by its nature and by statutory requirement, severely time constrained. Unfortunately, with respect to some of TAWC's responses, it appears that the objections are more obstruction than objection.

**1. Tennessee's discovery rules and cases permit and virtually encourage broad discovery.**

Tenn. R. Civ. P. 26.02 allows for broad discovery.<sup>1</sup> Specifically, the Rule provides that:

**Parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action**, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party, including the existence, description, nature, custody, condition and location of any books, documents, or other tangible things and electronically stored information, i.e. information that is stored in an electronic medium and is retrievable in perceivable form, and the identity and location of persons having knowledge of any discoverable matter. It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

---

<sup>1</sup> The Consumer Advocate incorporates by reference its *Memorandum in Support of the Consumer Advocate's Motion for Leave to Issue More Than Forty Discovery Requests*, filed in this Docket on January 6, 2017.

(emphasis added). Perhaps the most important underlying policy of discovery is “that discovery should enable the parties and the courts to seek the truth so that disputes will be decided by facts rather than by legal maneuvering.” *White v. Vanderbilt Univ.*, 21 S.W.3d 215, 223 (Tenn. Ct. App. 1999). Discovery should allow both the Court and the Parties to “have an intelligent grasp of the issues to be litigated and knowledge of the facts underlying them.” *Vythoulkas v. Vanderbilt Univ. Hosp.*, 693 S.W.2d 350, 356 (Tenn. Ct. App. 1985) (internal citations omitted), *superseded on other grounds by statute*, Tenn. R. Civ. P. 26.02(4)(B), *as recognized in West v. Schofield*, 460 S.W.3d 113, 125 (Tenn. 2015). Accordingly, “[a] party seeking discovery is entitled to obtain information about any matter, not privileged, which is relevant to the subject matter involved, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party.” *State ex. rel. Flowers v. Tenn. Trucking Ass’n Self Ins. Grp. Tr.*, 209 S.W.3d 602, 615 (Tenn. Ct. App. 2006) (internal citations omitted).

Consistent with Tennessee’s open discovery policy, the relevancy requirement is “construed broadly to encompass any matter that bears on, or that reasonably could lead to other matters that could bear on any of the case’s issues.” *Kuehne & Nagel, Inc. v. Preston, Skahan & Smith Int’l, Inc.*, 2002 WL 1389615, \*3 (Tenn. Ct. App. June 27, 2002) (internal citations omitted). Further, discovery is not limited to the issues raised by the pleadings. *Id.*, *see also Shipley v. Tenn. Farmers Mut. Ins. Co.*, 1991 WL 77540, \*7-\*8 (Tenn. Ct. App. May 15, 1991).

Under Tennessee’s expansive discovery standards, a party may also use discovery to: define and clarify the issues; formulate and interject additional issues into the case; determine additional causes of actions or claims against a party or a third-party; or probe a variety of fact-oriented issues unrelated to the merits of the case. *Shipley*, 1991 WL 77540 at \*7-8. Due to this broad policy favoring discovery, limitations on discovery should not be ordered unless the party

opposing discovery can demonstrate with more than conclusory statements and generalizations that the requested discovery limitations are necessary to protect the party from annoyance, embarrassment, oppression, or undue burden and expense. *Duncan v. Duncan*, 789 S.W.2d 557, 561 (Tenn. Ct. App. 1991). Accordingly, a party objecting to any discovery request must state the reasons for the objection. *Id.*; *see also Kuehne & Nagel, Inc.*, 2002 WL 1389615 at \*4. As a general matter, the rules favor the production of the requested information in all cases where the request is reasonable. *Kuehne & Nagel, Inc.*, 2002 WL 1389615 at \*4.

**2. In view of the Tennessee rules and cases, the Consumer Advocate's discovery requests are relevant, not overly broad, and reasonably calculated to lead to the discovery of admissible evidence.**

In the context of this TRA Docket No. 16-00126, it is worth noting that TAWC has had since 2013 to implement and perfect its Capital Riders mechanism. As background, when the Consumer Advocate intervenes in a case, generally the aim is for the Consumer Advocate to present a complete case to the TRA. By “complete case,” the Consumer Advocate means a case that not merely opposes selected parts of a company’s petition, but one that presents a virtually parallel case that sets forth an alternative number for every number presented by the company. By presenting a complete case the Consumer Advocate believes it is not only representing consumers to the fullest extent possible, but also providing a useful framework for the TRA as it works to decide the case. It should be noted that the discovery process is the principal procedural vehicle available to the Consumer Advocate to gather evidence and conduct analysis prior to the hearing in this matter.

Furthermore, the magnitude of the increase that TAWC has requested since the Capital Riders were initially implemented and the complexity of the issues in the alternative ratemaking case – especially one where three separate tariffs are being addressed – justify substantial discovery

by the Consumer Advocate. The Consumer Advocate's discovery requests reflect the need for a substantial amount of information to analyze and consider the significant requests made by TAWC.

**3. TAWC's objections are not proper applications of the Tennessee rules, lack foundation, and contradict the letter and purpose of discovery, especially in the context of TRA dockets that are, by their nature and by statutory requirement, severely time constrained.**

TAWC comes to the TRA with a complex case and seeks to deny the Consumer Advocate the data and information the Consumer Advocate needs. That denial takes the form of the objections put forward by the Company and its legal counsel.

Denying the discovery requested would prevent the Consumer Advocate from testing the merits of TAWC's proposed rate increase and to evaluate the increased tariffs and related policy issues presented in the Company's *Petition*. And this would mean that that the Consumer Advocate would be unable to fully develop positions on the myriad of issues presented in the *Petition*. Without the additional requested discovery – and without receiving discovery responses in the format requested – the Consumer Advocate will be severely constrained in representing the interests of households and businesses in TAWC's service territory, some 78,000 customers. Discovery and the resulting pre-filed testimony present the only opportunities for consumers to receive due process with a representative and evidentiary voice regarding the rates charged to them by TAWC prior to the hearing. And a hearing that occurs without the benefit of robust discovery prevents the Consumer Advocate from effectively representing consumers' interests.

**B. The information sought by the Consumer Advocate is information that TAWC should be tracking in order to accurately report the Capital Riders filing.**

TAWC should provide information regarding the break out of TAWC labor and third party labor costs (as itemized in Discovery Request No. 20). The Consumer Advocate's request is

regarding the capitalization of these items in this docket, and whether they are also being recovered by virtue of TAWC's most recent rate case. In order for the Consumer Advocate to be able to determine that TAWC is not receiving double-recovery, the Consumer Advocate needs to be able to view these line items. The Consumer Advocate's expectation is that the requested information will show whether certain items are accounted for in both as a capitalization and as an expense, and thus whether these items are recovered both through this mechanism as well as the rate base. TAWC's claim that it does not keep track of these items is weak as it would seem that TAWC would need to segregate these items to keep its accounting correct and to avoid a prohibited double-recovery scenario.

### **III. TAWC's objections fail to take into account the requirements of the tariff set forth in Docket No. 13-00130.**

Not only does TAWC fail to take into account the requirements of the tariff, TAWC has also failed to respond to a discovery request that essentially seeks the same underlying issue. As discussed above, pursuant to the tariff, TAWC is required to file a verification by a company officer. This verification serves to ensure accuracy and corporate accountability. However, TAWC failed to file any verification of the rider percentages and underlying support for these percentages.

TAWC has additionally refused to allow an accountant or similar representative from the controller's office verify the accounting. Instead, the Company has opted to utilize engineers to introduce testimony while skirting the issue of verification. Essentially, TAWC is refusing to verify that the numbers submitted for recovery under the Capital Riders mechanism are accurate or true to the requirements established in Docket No. 13-00130.

The fact that TAWC has failed to allow a company officer or an accountant swear to the numbers proposed in this filing raises concern. While allowing such a representative to verify these numbers as they relate back to the general ledger would help quell doubts as to the accuracy of these percentages or their conformity to the accepted workings of the mechanism, TAWC has refused to provide this confirmation. TAWC should provide this verification of accuracy and truthfulness, not only due to the discovery requests submitted by the Consumer Advocate but also due to the requirements of the tariff. It is unfortunate that the Consumer Advocate must now move to compel verification of the accounting by TAWC.

### **CONCLUSION**

For the reasons stated above, the objections by TAWC to the Consumer Advocate's requests enumerated above – and in the General Objection section and in each affidavit and certification filed in TAWC's responses to the Consumer Advocate's discovery requests – should be overruled and the Company should be ordered to provide the data and information requested.

**MOTION TO COMPEL**

**WITH RESPECT TO SPECIFIC DISCOVERY RESPONSES**

**SECOND DISCOVERY REQUESTS**

**CPAD DISCOVERY REQUEST NO. 1.** Please refer to the attached file provided in the Company's response to CPAD 1-1 in this docket. Specifically refer to the "RP District Detail" tab of this attachment. It appears that certain data included on this schedule is calculated from other sources. For example, Cell E25 of this schedule contains the January 2017 estimated expenditures for unscheduled main replacement with a hard-coded value of "\$10,621.0526315789", leaving us with the impression that this value is calculated from other data. Therefore, please provide the source and support for the hard numbers contained in Columns E through P that comprise the 2017 SCEP amounts.

**Company Response:** As was indicated in Brent O'Neill's response to Item 3 of the CPAD's First Discovery Request, TAWC's Engineering Department develops a proposed capital budget with input by Operations Supervisors and Project Managers. The source of this input is the development of the Recurring Project (RP) Summary Workbook that is provided in response to that same response. The RP Summary Workbook provides the Operations Supervisors and Project Managers the expectation of the amount of work necessary in 2017 based on historical and best management techniques. This follows the procedures as outlined in the response to Item 7 of the CPAD's First Discovery Request in Docket No. 15-00111. The proposed capital budget is developed by determining the need of each line based on the overall yearly budget as was provided in the above referenced summary workbook. Upon the determination of the business need based on an overall yearly budget, the monthly spend profile indicated in the 2017 SCEP is developed based on historical spending and previous budgets by month. In regard to the "RP District Detail" tab, specifically Cell E25, the Project Manager determined through the analysis of historical trends for the Line C Mains – Unscheduled as indicated in the provided attachment in response to Item 3 referenced above, that a budget of \$1,009,000 was necessary for the year. Cell L8 of the "C – Mains – UNSCHEDULED" tab of the attachment provided in response to Item 3 referenced above, provides an explanation of the analysis provided by the Project Manager. As indicated by the analysis, it was projected that 2017 budget needed was \$1,009,000 for the year. As previously indicated, TAWC's Engineering Department utilizes this yearly amount to then develop the 2017 Strategic Capital Expenditures Plan, or SCEP. This includes not only the annual amount, but a monthly projected expenditure amount for each business unit based on historical spending and previous monthly budget amounts. The amount of \$1,009,000 was compared to the 2017 budget amount of \$950,000 that had been proposed during the development of the previous budget year that was provided in 2016-2020 SCEP that was included with the Company's response to Item 11 of the CPAD's Second Discovery Request in Docket No. 15-00111. The comparison of the \$1,009,000 to the \$950,000, results in a proposed increase of 1.062105263157894 %. This increase was applied to the previously determined monthly spending profile as shown in the 2016-2020 SCEP, provided in Docket No. 15-00111. This application of the proposed increase of 1.062105263157894 established the value that was indicated in Cell E25. This is the same for cells F25, O25 and P25. In addition, cells E23, H22, I22, J22, N22 and O22 were determined using the same process. The Project Manager and the Engineering Department made minor adjustments in

the proposed spending profile as indicated in cells E22, F22, G22, K22, L22, M22 and P22 based on their best judgement of previous year actual activity for unscheduled main.

**Motion to Compel:** The Consumer Advocate's request was for the source and support for the above-referenced information. TAWC has identified the source – the Recurring Project Summary Workbook – but has failed to provide a copy of that workbook to the Consumer Advocate. The Consumer Advocate requests that it be given a copy of this workbook.

**CPAD DISCOVERY REQUEST NO. 4d.** Please refer to the Company's responses to CPAD1-5, CPAD1-6, CPAD1-7 and CPAD1- 8 in this docket regarding the actual plant expenditure amounts in November 2015 and December 2015 for Business Units A, B, C and D. In addition, please refer to Table 1 and Table 2 below that summarize the November 2015 and December 2015 plant additions for Business Units A, B, C and D in this Capital Rider Budget Docket and in the 16-00022 Capital Rider Reconciliation Docket.

d. Please provide an attestation from the Company's controller of the actual amounts of capital recovery plant additions recorded in the Company's ledger for November 2015 and December 2015 for Business Units A, B, C and D.

**Company Response:** TAWC objects to this Request on the grounds that it is overbroad, unduly burdensome, duplicative, and seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. TAWC further objects to this Request on the grounds that TAWC has identified the appropriate representatives with relevant information concerning this Request and refers CPAD to the attestation(s) of Linda Bridwell and/or Brent E. O'Neil. TAWC reserves the right to supplement this response as information becomes available during the course of discovery, document review and investigation. Subject to and without waiving the foregoing objections, TAWC states as follows: As explained in part c above, the plant additions for November 2015 and December 2015 are in the CPAD's Table 1 above, while the construction expenditures for November 2015 and December 2015 are in the CPAD's Table 2 above. The plant additions for November 2015 and December 2015, as reflected in the CPAD's Table 1 above, have been attested to and included in Docket No. 16-00022.

**Motion to Compel:** As discussed above in the Argument section, the Consumer Advocate believes that this verification is required under the requirements of the tariff. TAWC has not only failed to have a corporate officer verify on behalf of the company that the percentages and the underlying accounting is correct, but TAWC has also refused to have even an accountant or qualified person from the controller's office verify the percentages and the underlying accounting. The Consumer Advocate requests that TAWC be compelled to provide the appropriate verification by a corporate officer that the items included in this discovery request are accurate and tie back to the general ledger.

**CPAD DISCOVERY REQUEST NO. 5.** Please refer to the Company's response to CPAD1-11 in this docket. Please provide the source and support for the 57.6% allocation factor calculation referenced in this request.

**Company Response:** The allocation factors are estimated percentages to allocate the amount of each Business Unit to each utility plant account for calculation of depreciation rates. The allocation factors were provided in Docket No. 13-00130, Docket No. 14-00121, Docket No. 15- 00111 and in this Docket as calculated on tab "WKP Data-RC Spread. The allocations factors have not been changed or re-calculated, as the reconciliation trues-up any changes from that estimated amount. These allocation factors merely estimate which utility plant in-service accounts the future construction spend will be placed in-service to. The estimated allocation factor of 57.6% is the estimated portion of Water Treatment Equipment (320) for business unit Q. As discussed in the response Item 11 of the Consumer Protection and Advocate Division's First Discovery Request, and in Docket No. 15-00111 in response to Item 21 of the CPAD's first discovery request, the company substituted a more accurate and appropriate sub-account for Water Treatment Equipment (320). This change more accurately reflects what had been placed in service in 2014 and 2015, and thus would reduce the amount of a reconciliation. As discussed in Docket No. 15-00111, Tennessee American changed the sub-account of the utility plant allocation but not the amount of the allocation.

**Motion to Compel:** TAWC has provided a partial justification for the increase in the allocation factor listed above; however, the Consumer Advocate's Request is for the source and support for this estimated percentage. 57.6% is a particularly specific percentage and this leads the Consumer Advocate to believe that this estimate is derived from something more than a mere estimate or educated guess. The Consumer Advocate requests that this source and support be provided by TAWC in full.

**CPAD DISCOVERY REQUEST NO. 19d.** Please refer to the "TAW\_APP\_SCH1\_2017" spreadsheet that was included with the Company's filing. Specifically refer to Column AY of the "WKP 2014 In-Serviced Actual" tab of this spreadsheet which calculates the 2014 depreciation expense. The Company has converted the original formulas in this spreadsheet to hard numbers that no longer tie to the product of average plant in service \* the appropriate depreciation rates. Please answer the following:

d. Please provide an attestation from the Company's controller of the actual amounts of capital recovery plant in service and depreciation expense by Business Unit recorded in the Company's ledger for 2014.

**Company Response:** TAWC objects to this Request on the grounds that it is overbroad, unduly burdensome, duplicative, and seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. TAWC further objects to this Request on the grounds that TAWC has identified the appropriate representatives with relevant information concerning this Request and refers CPAD to the attestation(s) of Linda Bridwell and/or Brent E. O'Neill. TAWC reserves the right to supplement this response as information becomes available during the course of discovery, document review and investigation. Subject to and without waiving the foregoing objections, TAWC states as follows: 2014 actual depreciation expenses reflected in the filing have been attested to and included in prior Capital Recovery Rider Dockets. Please refer to part b of this same data request. The company does not record depreciation expense by project

business unit in the company's ledger and a calculation of depreciation expense for these plant additions must be made for the purposes of the Capital Recovery Riders filings. The company utilizes the group depreciation method by utility account and district to record depreciation expense. In the reconciliation of 2014 actual expenditures in Docket No. 15-00029, the Company calculated the depreciation for plant additions for each month and summed the total. The calculation of the 2014 depreciation was part of a larger spreadsheet that was extremely complex, making any effort to review the calculations very challenging. Therefore in Docket No. 15-00111, Tennessee American hard-coded the 2014 depreciation expense that had been included in the final version of the reconciliation in Docket No. 15-00029. This issue was also discussed in the reconciliation of 2015 Capital Recover Riders (Docket No. 16-00022) and a copy of the 2014 In-Serviced Actual including 2014 depreciation expense calculations was provided in response to Item 3 of the CPAD's Third Discovery Request in Docket No. 16-00022.

**Motion to Compel:** As discussed above in the Argument section, the Consumer Advocate believes that this verification is required under the tariff. TAWC has not only failed to have a corporate officer verify on behalf of the company that the percentages and the underlying accounting is correct, but TAWC has also refused to have even an accountant or qualified person from the controller's office verify the percentages and the underlying accounting. The Consumer Advocate requests that TAWC be compelled to provide the appropriate verification by a corporate officer that the items included in this discovery request are accurate and tie back to the general ledger.

**CPAD DISCOVERY REQUEST NO. 20.** Please refer to the attached file provided in the Company's response to CPAD1-1. Specifically, refer to the "RP District Detail" tab of this attachment. Please segregate the budgeted 2017 SCEP plant additions by Business Unit between the following categories:

- a. TAWC Direct Labor;
- b. TAWC Overhead Costs;
- c. AWWC Allocated Labor;
- d. AWWC Allocated Overhead Costs; and
- e. Third Party Outside Vendor Costs.

**Company Response:** Tennessee American Water objects to this Request to the extent that it purports to place obligations on TAW that are broader than the scope contemplated by the Tennessee Rules of Civil Procedure and other applicable law. Subject to and without waiving the foregoing objection, TAW states as follows: As has been discussed in previous testimony and specifically in response to Item 7 of the Consumer Protection and Advocate Division's First Discovery Request in Docket No. 15-00111, Tennessee American Water goes through several stages to develop an accurate forecast during development of the budget. The process involves the review of historical trends, previous actual spend and the identification of the expected work needed for each line. TAW does not construct the budgets based on the categories requested and is therefore unable to provide the details requested.

**Motion to Compel:** The Consumer Advocate's request is regarding the capitalization of these items in this docket, and whether they are also being recovered by virtue of TAWC's most recent rate case. In order for the Consumer Advocate to be able to determine that TAWC is not receiving double-recovery, the Consumer Advocate needs to be able to view these line items. The Consumer Advocate's expectation is that the requested information will show whether certain items are accounted for in both as a capitalization and as an expense, and thus whether these items are recovered both through this mechanism as well as the rate base. TAWC's claim that it does not keep track of these items is weak as it would seem that TAWC would need to segregate these items to keep its accounting correct and to avoid a prohibited double-recovery scenario.

### CONCLUSION

For the reasons stated, the *Consumer Advocate's Motion to Compel* should be granted. Additionally, given this discovery dispute has delayed the Consumer Advocate from receiving information needed to complete its testimony, the Consumer Advocate has filed contemporaneously to this Motion to Compel a Motion for Extension of Time to File Consumer Advocate Pre-Filed Testimony.

RESPECTFULLY SUBMITTED,



DANIEL P. WHITAKER III (BPR #035410)  
Assistant Attorney General  
Office of the Tennessee Attorney General  
Public Protection Section  
Consumer Protection and Advocate Division  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Phone: (615) 532-9299  
Fax: (615) 532-2910  
daniel.whitaker@ag.tn.gov

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing was served via U.S. Mail or electronic mail upon:

Linda Bridwell  
Manager of Rates and Regulation – Tennessee and Kentucky  
Kentucky American Water Company  
2300 Richmond Road  
Lexington, KY 40502  
Linda.Bridwell@amwater.com

Melvin J. Malone, Esq.  
Butler, Snow, O'Mara, Stevens & Cannada, PLLC  
The Pinnacle at Symphony Place  
150 3<sup>rd</sup> Avenue South, Suite 1600  
Nashville, TN 37201  
Melvin.malone@butlersnow.com

This the 24 day of January, 2017



\_\_\_\_\_  
Daniel P. Whitaker III  
Assistant Attorney General



**IN THE TENNESSEE REGULATORY AUTHORITY  
AT NASHVILLE, TENNESSEE**

**IN RE:**

**PETITION OF TENNESSEE AMERICAN  
WATER COMPANY FOR APPROVAL OF A  
QUALIFIED INFRASTRUCTURE INVEST-  
MENT PROGRAM, AN ECONOMIC  
DEVELOPMENT INVESTMENT RIDER,  
A SAFETY AND ENVIRONMENTAL  
COMPLIANCE RIDER, AND PASS-  
THROUGHS FOR PURCHASED POWER,  
CHEMICALS, PURCHASED WATER,  
WHEELING WATER COSTS, WASTE  
DISPOSAL, AND TRA INSPECTION FEE**

**DOCKET NO. 13-00130**

---

**STIPULATION**

---

Tennessee American Water Company ("Tennessee American" or "Company") and Robert E. Cooper, Jr., Attorney General and Reporter for the State of Tennessee, through the Consumer Advocate and Protection Division ("Consumer Advocate") (collectively the "Parties"), constituting all of the parties to the above-captioned Docket, have conferred and agree as follows:

1. Tennessee American is a wholly-owned subsidiary of American Water Works Company, Inc., which is the largest water holding company in the United States, providing water and wastewater services to sixteen (16) million people in thirty-five (35) states and two (2) Canadian Provinces.

2. Tennessee American provides residential, commercial, industrial and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including approximately 75,840 customers.

3. Tennessee American is a public utility in Tennessee and its water supply business and rates are subject to regulation and supervision by the Tennessee Regulatory Authority pursuant to Chapters 4 and 5 of Title 65 of the Tennessee Code Annotated.

4. On October 4, 2013, Tennessee American filed a Petition seeking the Authority's approval of a Qualified Infrastructure Investment Program Rider ("QIIP"), an Economic Development Investment Rider ("EDI"), a Safety and Environmental Compliance Rider ("SEC"), and Production Cost and Other Pass-Throughs Rider ("PCOP") (collectively the "Tariffs"). This Petition was filed requesting recovery of costs pursuant to Tenn. Code Ann. § 65-5-103(d) (2013), which was modified by 2013 Pub. Acts, ch. 245, § 5 (effective Apr. 19, 2013).

5. On October 17, 2013, the Consumer Advocate filed a Petition to Intervene in this proceeding which was granted by Authority order dated October 23, 2013. No other person has sought or been granted party status in this proceeding.

6. Since the filing of Tennessee American's Petition, the parties to this proceeding have engaged in discovery, informal information exchanges, and extensive communication. In addition to the information provided by Tennessee American's witnesses with their testimony, Tennessee American has responded to data requests from the Authority's Staff and from the Consumer Advocate. Representatives of Tennessee American and the Consumer Advocate have also spent a significant amount of time discussing the various aspects of Tennessee American's Petition and Tariffs.

7. Tennessee American and the Consumer Advocate agree that, if Tennessee American's tariff riders for the QIIP, EDI, SEC, and PCOP contain the stipulated provisions set forth in Attachments A, B, C, and D, respectively, all of which are attached hereto and incorporated herein by reference, and if the Authority Directors approve the QIIP, EDI, SEC, and

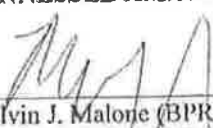
PCOP tariff riders in this Docket that incorporate such stipulated provisions, then the Consumer Advocate will not oppose Tennessee American's Petition seeking approval of the Tariffs as amended by this Stipulation.

8. The General Assembly revised Tenn. Code Ann. § 65-5-103 in 2013 to allow tariff riders that recover certain costs without convening a general rate case proceeding so long as specific criteria are met, including but not limited to the Authority making a finding that such tariff riders are in the public interest prior to their approval.

9. The Consumer Advocate's agreement to not oppose Tennessee American's Petition and Tariffs as amended by this Stipulation should not be construed as a finding by the Consumer Advocate that these tariff riders are in the public interest. The Consumer Advocate takes no position on that issue in this proceeding.

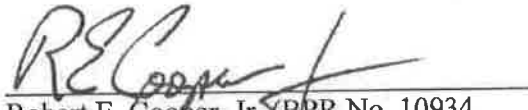
10. The Company has confirmed that the Tariffs will not include the recovery of legal fees associated with regulatory proceedings before the Authority seeking the approval of the Tariffs or regulatory proceedings related to periodic filings with the TRA as provided by the Tariffs.

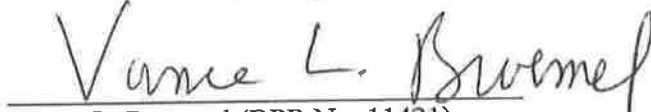
**TENNESSEE AMERICAN WATER COMPANY**



Melvin J. Malone (BPR No. 13874)  
Junaid Odubeko (BPR No. 23809)  
Butler, Snow, O'Mara, Stevens & Cannada, PLLC  
The Pinnacle at Symphony Place  
150 3rd Avenue South, Suite 1600  
Nashville, TN 37201  
Telephone: (615) 651-6705

**CONSUMER ADVOCATE AND PROTECTION  
DIVISION**

  
Robert E. Cooper, Jr. (BPR No. 10934)  
Attorney General and Reporter

  
Vance L. Broemel (BPR No. 11421)  
Senior Counsel  
Joe Shirley (BPR No. 22287)  
Senior Counsel  
Office of the Attorney General  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, Tennessee 37202-0207  
Telephone: (615) 741-8727


**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Gary M. VerDouw  
Director of Rates, Central Division  
American Water Company  
727 Craig Road  
Saint Louis, MO 63141  
Gary.VerDouw@amwater.com

Melvin J. Malone  
Junaid Odubeko  
Butler, Snow, O'Mara, Stevens & Cannada, PLLC  
The Pinnacle at Symphony Place  
150 3rd Avenue South, Suite 1600  
Nashville, TN 37201  
melvin.malone@butlersnow.com  
junaid.odubeko@butlersnow.com

This the 10<sup>th</sup> day of January, 2014.

  
Joe Shirley

# **ATTACHMENT A**

**(Qualified Infrastructure Improvement Program Rider)**

---

**CLASSIFICATION OF SERVICE****QUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM – RIDER****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 will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

**"Actual QIIP Investment Amount"** means the amount of actual capital investment of the Company for the Qualified Infrastructure Improvement Program and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Actual QIIP Investment Amounts associated with this Rider shall be included in base rates.

**"Annual Reconciliation Factor"** means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

**"Annual Review Period"** means the twelve-month period between the annual adjustments of the QIIP Percentage Rate.

**"Authority"** means the Tennessee Regulatory Authority.

**"Budget-to-Actual Adjustment"** means the adjustment to QIIP for the applicable coming annual period due to the difference between the Forecasted QIIP Investment Amount and the Actual QIIP Investment Amount.

---

**ISSUED: January 10, 2014****EFFECTIVE: February 10, 2014****BY:**

---

**Deron E. Allen  
PRESIDENT**

---

**109 Wehl Street  
Chattanooga, Tennessee 37403**

---

**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted QIIP Investment Amount”** means the amount of forecasted capital investment of the Company for the Qualified Infrastructure and Investment Program and not otherwise included in current base rates.

**“Over-Under Collection Adjustment”** means the adjustment to QIIP for the applicable coming annual period due to the net amount of over or under collections.

**“Relevant Rate Order”** means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

QIIP allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment. For purposes of this Rider, qualifying QIIP investment includes the following:

*Distribution Infrastructure* – Replacement distribution and transmission mains and valves installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Hydrants, Services, Meters and Meter Installations – installed as in-kind replacements, reinforcements or insuring reliability of existing facilities; Unreimbursed funds related to capital projects to relocate facilities required by governmental highway projects; Capitalized tank repairs and maintenance that serve to replace, reinforce, or otherwise insure reliability of existing facilities.

*Production and Pumping Infrastructure* – Replacement of water treatment facilities and equipment installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Raw Water and Finished Water pumping equipment and structures installed as replacements, reinforcements or otherwise insuring reliability of existing facilities.

QIIP Investment is to be identifiable on the Company’s books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;  
Account 333 – Services;  
Account 334 – Meters & Meter Installations;

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

Account 335 – Hydrants;  
Account 320 – Water Treatment Equipment, Non-Media;  
Account 311 – Pumping Equipment;  
Account 303 – Land and Land Rights;  
Account 304 – Structures and Improvements;  
Account 306 – Lake, River and Other Intakes;  
Account 307 – Wells and Springs;  
Account 309 – Supply Mains;  
Account 310 – Power Generation Equipment  
Account 330 – Distribution Reservoirs and Standpipes; and  
Account 330003 – Capitalized Tank Painting.

**4. Determination of the Qualified Infrastructure Improvement Program Percentage Rate**

(A) The QIIP percentage shall be expressed as a percentage carried to two (2) decimal places. The QIIP percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

(B) The QIIP percentage shall be calculated on an annual prospective basis as follows:

**FORECASTED QIIP Investment Amount**

Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted QIIP Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

Plus Franchise Taxes

Subtotal Forecasted QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate

Plus Uncollectible Expense Rate

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

---

Plus Gross Receipts Tax Rate

Total Forecasted QIIP Revenue Requirement

Divided by Relevant Rate Order Volumetric &amp; Metered Revenue

QIIP Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted QIIP investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted QIIP infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified QIIP investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Forecasted cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Forecasted cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

---

Deron E. Allen  
PRESIDENT109 Wehl Street  
Chattanooga, Tennessee 37403

**QIIP Plant Retirements** = Forecasted QIIP plant removed from service net of any associated cost of removal and salvage.

**Forecasted QIIP Investment Amount** = Average forecasted QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Uncollectible Expense** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the QIIP is the QIIP Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

**5. Determination of the Annual Reconciliation Factor Percentage Rate**

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment  
Plus Interest  
Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

- (C) Computation of the Budget-to-Actual Adjustment.

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

The Budget-to-Actual Adjustment will be computed as follows:

**ACTUAL** QIIP Investment Amount for the Annual Review Period  
Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
Net Actual QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual QIIP Pre-Tax Return  
Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Subtotal Actual QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
Total Actual QIIP Revenue Requirement

Less Total Forecasted QIIP Revenue Requirement

Budget-to-Actual Adjustment

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual QIIP investment at the beginning and end of the year.

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual QIIP infrastructure.

**Depreciation Expense** = Actual cumulative qualified QIIP investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**QIIP Plant Retirements** = Actual QIIP plant removed from service net of any associated cost of removal and salvage.

**Actual QIIP Investment Amount** = Average actual QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Uncollectible Expense** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

The Company will identify and record the total amount of the QIIP Collected from Customers for the Annual Review Period. The difference between the Total QIIP Collected

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

from Customers and the Total Actual QIIP Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

**6. New Base Rates**

The QIIP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the QIIP. Thereafter, only the costs of new QIIP eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective QIIP filings.

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

**7. Annual QIIP Percentage Rate Filing**

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be verified by an officer of the Company. The Annual QIIP Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted QIIP Investment Amount, with such revenue adjustment applied through the QIIP Percentage Rate. The QIIP Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual QIIP Percentage Rate Filing the following information at a minimum: (a) computation of the QIIP Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted QIIP Investment Amount adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) a statement demonstrating how each projected capital investment comprising the Forecasted QIIP Investment Amount meets the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual QIIP Percentage Rate Filing.

**8. Annual Reconciliation Filing with the Authority**

On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the QIIP for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this QIIP Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred QIIP cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total QIIP Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) a schedule of any proposed prior period adjustments, (f) an affirmative statement of whether the

---

**ISSUED: January 10, 2014****EFFECTIVE: February 10, 2014****BY:****Deron E. Allen  
PRESIDENT****109 Wehl Street  
Chattanooga, Tennessee 37403**

---

Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (g) the cumulative amount of QIIP collected from customers under this Rider, and (h) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

**9. Notice Requirements**

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

**10. Public Interest Review**

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Authority, for a reconsideration of whether it remains in the public interest.

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

---

**Deron E. Allen  
PRESIDENT**

---

**109 Wehl Street  
Chattanooga, Tennessee 37403**

# **ATTACHMENT B**

**(Economic Development Investment Program Rider)**

---

**CLASSIFICATION OF SERVICE****ECONOMIC DEVELOPMENT INVESTMENT PROGRAM – RIDER****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 Economic Development Investment Program (“EDI”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

**“Actual EDI Investment Amount”** means the amount of actual capital investment and associated operating expenses of the Company for the Economic Development Investment Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual EDI Investment Amounts associated with this Rider shall be included in base rates.

**“Annual Reconciliation Factor”** means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

**“Annual Review Period”** means the twelve-month period between the annual adjustments of the EDI Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

**“Authority”** means the Tennessee Regulatory Authority.

**“Budget-to-Actual Adjustment”** means the adjustment to EDI for the applicable coming annual period due to the difference between the Forecasted EDI Investment and Expense Amount and the Actual EDI Investment and Expense Amount.

---

**ISSUED: January 10, 2014****EFFECTIVE: February 10, 2014****BY:**

---

**Deron E. Allen  
PRESIDENT**

---

**109 Wehl Street  
Chattanooga, Tennessee 37403**

**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted EDI Investment Amount”** means the amount of forecasted capital investment of the Company for the Economic Development Investment Program and not otherwise included in current base rates.

**“Over-Under Collection Adjustment”** means the adjustment to EDI for the applicable coming annual period due to the net amount of over or under collections.

**“Relevant Rate Order”** means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

EDI allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying EDI investment includes the following:

*Distribution, Production, and Other Infrastructure* – Distribution, production, and other infrastructure that may be identified as being for the purpose of economic development including infrastructure designed to utilize alternative fuels.

*Economic Development Expenses* – Operational expenses that are specifically to support economic development and economic development investment utility plant.

EDI Investment is to be identifiable on the Company’s books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;  
Account 333 – Services;  
Account 334 – Meters & Meter Installations;  
Account 335 – Hydrants;  
Account 320 – Water Treatment Equipment, Non-Media;  
Account 311 – Pumping Equipment;  
Account 303 – Land and Land Rights;  
Account 304 – Structures and Improvements;  
Account 306 – Lake, River and Other Intakes;

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

Account 307 – Wells and Springs;  
Account 309 – Supply Mains;  
Account 310 – Power Generation Equipment;  
Account 341 – Transportation Equipment;  
Account 330 – Distribution Reservoirs and Standpipes; and  
Account 330003 – Capitalized Tank Painting.

**4. Determination of the Economic Development Investment Program Percentage Rate**

- (A) The EDI percentage shall be expressed as a percentage carried to two (2) decimal places. The EDI percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The EDI percentage shall be calculated on an annual prospective basis as follows:

**FORECASTED EDI Investment Amount**

Less EDI Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
Net Forecasted EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

**Allowed Forecasted EDI Pre-Tax Return**

Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Plus Economic Development Operational Expenses  
Subtotal Forecasted EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
Total Forecasted EDI Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

---

EDI Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted EDI investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted EDI infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified EDI investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Forecasted cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Forecasted cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**EDI Plant Retirements** = Forecasted EDI plant removed from service net of any associated cost of removal and salvage.

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

---

Deron E. Allen  
PRESIDENT109 Wehl Street  
Chattanooga, Tennessee 37403

---

**Forecasted EDI Investment Amount** = Average forecasted EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances. .

**Economic Development Expenses** = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

**Uncollectible Expense** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the EDI is the EDI Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

**5. Determination of the Annual Reconciliation Factor Percentage Rate**

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment  
Plus Interest  
Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

- (C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

ACTUAL EDI Investment Amount for the Annual Review Period  
Less EDI Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
Net Actual EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual EDI Pre-Tax Return  
Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Plus Economic Development Operational Expenses  
Subtotal Actual EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
Total Actual EDI Revenue Requirement

Less Total Forecasted EDI Revenue Requirement

Budget-to-Actual Adjustment

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual EDI investment at the beginning and end of the year.

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual EDI infrastructure.

**Depreciation Expense** = Actual cumulative qualified EDI investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**EDI Plant Retirements** = Actual EDI plant removed from service net of any associated cost of removal and salvage.

**Actual EDI Investment Amount** = Average actual EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Economic Development Expenses** = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

**Uncollectible Expense** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

The Company will identify and record the total amount of the EDI Collected from Customers for the Annual Review Period. The difference between the Total EDI Collected from Customers and the Total Actual EDI Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

**6. New Base Rates**

The EDI rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the EDI. Thereafter, only the costs of new EDI eligible plant additions that have not

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

---

previously been reflected in the Company's rate base, would be reflected in new annual prospective EDI filings.

**7. Annual EDI Percentage Rate Filing**

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the EDI Percentage Rate for the following calendar year. The Annual EDI Percentage Rate Filing shall be verified by an officer of the Company. The Annual EDI Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted EDI Investment Amount, with such revenue adjustment applied through the EDI Percentage Rate. The EDI Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual EDI Percentage Rate Filing the following information at a minimum: (a) computation of the EDI Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted EDI Investment Amount and Forecasted Economic Development Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted EDI Investment Amount and each projected operational expense comprising the Forecasted Economic Development Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual EDI Percentage Rate Filing.

**8. Annual Reconciliation Filing with the Authority**

On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the EDI for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this EDI Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred EDI cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used

---

**ISSUED:**      **January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

in the computation of the Total EDI Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual EDI Investment Amount and Actual Economic Development Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of EDI collected from customers under this Rider, and (i) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

#### **9. Notice Requirements**

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

#### **10. Public Interest Review**

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Authority, for a reconsideration of whether it remains in the public interest.

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

# **ATTACHMENT C**

**(Safety and Environmental Compliance Program Rider)**

---

**CLASSIFICATION OF SERVICE****SAFETY AND ENVIRONMENTAL COMPLIANCE – RIDER****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 Safety and Environmental Compliance Program ("SEC") Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

**"Actual SEC Investment Amount"** means the amount of actual capital investment and associated operating expenses of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates. At the time of the Company's next general rate case proceeding, all prudently incurred Actual SEC Investment Amounts associated with this Rider shall be included in base rates.

**"Annual Reconciliation Factor"** means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

**"Annual Review Period"** means the twelve-month period between the annual adjustments of the SEC Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

**"Authority"** means the Tennessee Regulatory Authority.

**"Budget-to-Actual Adjustment"** means the adjustment to SEC for the applicable coming annual period due to the difference between the Forecasted SEC Investment and Expense Amount and the Actual SEC Investment and Expense Amount.

---

**ISSUED: January 10, 2014****EFFECTIVE: February 10, 2014****BY:**

---

**Deron E. Allen  
PRESIDENT**

---

**109 Wehl Street  
Chattanooga, Tennessee 37403**

**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted SEC Investment Amount”** means the amount of forecasted capital investment of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates.

**“Over-Under Collection Adjustment”** means the adjustment to SEC for the applicable coming annual period due to the net amount of over or under collections.

**“Relevant Rate Order”** means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

SEC allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying SEC investment includes the following:

*Distribution and Production Infrastructure* – Distribution, production, and other infrastructure that may be identified as being for the purpose of safety and environmental compliance.

*Safety and Environmental Expenses* – Operational expenses similar to other expenses authorized in previous rate cases that are specifically new expenses for safety and environmental compliance or to support safety and environmental compliance utility plant.

SEC Investment is to be identifiable on the Company’s books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;  
Account 333 – Services;  
Account 334 – Meters & Meter Installations;  
Account 335 – Hydrants;  
Account 320 – Water Treatment Equipment, Non-Media;  
Account 311 – Pumping Equipment;  
Account 303 – Land and Land Rights;  
Account 304 – Structures and Improvements;  
Account 306 – Lake, River and Other Intakes;

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

Account 307 – Wells and Springs;  
Account 309 – Supply Mains;  
Account 310 – Power Generation Equipment  
Account 330 – Distribution Reservoirs and Standpipes; and  
Account 330003 – Capitalized Tank Painting.

4. Determination of the Safety and Environmental Compliance Program Percentage Rate

- (A) The SEC percentage shall be expressed as a percentage carried to two (2) decimal places. The SEC percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The SEC percentage shall be calculated on an annual prospective basis as follows:

**FORECASTED SEC Investment Amount**

Less SEC Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes

Net Forecasted SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted SEC Pre-Tax Return

Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Plus Safety and Environmental Compliance Operational Expenses

Subtotal Forecasted SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate

Total Forecasted SEC Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

SEC Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted SEC investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted SEC infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified SEC investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Forecasted cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Forecasted cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**SEC Plant Retirements** = Forecasted SEC plant removed from service net of any associated cost of removal and salvage.

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

---

Deron E. Allen  
PRESIDENT109 Wehl Street  
Chattanooga, Tennessee 37403

---

**Forecasted SEC Investment Amount** = Average forecasted SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Safety and Environmental Compliance Expenses** = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

**Uncollectible Expense** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the SEC is the SEC Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

**5. Determination of the Annual Reconciliation Factor Percentage Rate**

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment  
Plus Interest  
Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

- (C) Computation of the Budget-to-Actual Adjustment.

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

The Budget-to-Actual Adjustment will be computed as follows:

**ACTUAL SEC Investment Amount for the Annual Review Period**  
Less SEC Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
Net Actual SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual SEC Pre-Tax Return  
Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Plus Safety and Environmental Compliance Operational Expenses  
Subtotal Actual SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
Total Actual SEC Revenue Requirement

Less Total Forecasted SEC Revenue Requirement

Budget-to-Actual Adjustment

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual SEC investment at the beginning and end of the year.

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

**Deron E. Allen**  
**PRESIDENT**

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual SEC infrastructure.

**Depreciation Expense** = Actual cumulative qualified SEC investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**SEC Plant Retirements** = Actual SEC plant removed from service net of any associated cost of removal and salvage.

**Actual SEC Investment Amount** = Average actual SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Safety and Environmental Compliance Expenses** = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

**Uncollectible Expense** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

---

**ISSUED:** January 10, 2014

**EFFECTIVE:** February 10, 2014

**BY:**

---

**Deron E. Allen**  
**PRESIDENT**

---

**109 Wehl Street**  
**Chattanooga, Tennessee 37403**

---

(D) Computation of the Over-Under Collection Adjustment.

The Company will identify and record the total amount of the SEC Collected from Customers for the Annual Review Period. The difference between the Total SEC Collected from Customers and the Total Actual SEC Revenue Requirement shall constitute the Over-Under Collection Adjustment.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

6. New Base Rates

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

The SEC rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the SEC. Thereafter, only the costs of new SEC eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective SEC filings.

**7. Annual SEC Percentage Rate Filing**

On or before December 1 of each year, the Company shall submit to the Authority a calculation of the SEC Percentage Rate for the following calendar year. The Annual SEC Percentage Rate Filing shall be verified by an officer of the Company. The Annual SEC Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted SEC Investment Amount, with such revenue adjustment applied through the SEC Percentage Rate. The SEC Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual SEC Percentage Rate Filing the following information at a minimum: (a) computation of the SEC Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted SEC Investment Amount and Forecasted Safety and Environmental Compliance Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted SEC Investment Amount and each projected operational expense comprising the Forecasted Safety and Environmental Compliance Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual SEC Percentage Rate Filing.

**8. Annual Reconciliation Filing with the Authority**

On or before March 1 of each year, the Company shall submit to the Authority a reconciliation of the results of the operation of the SEC for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this SEC Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred SEC cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total SEC Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual SEC Investment Amount and Actual Safety and Environmental Compliance Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of SEC collected from customers under this Rider, and (i) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

**9. Notice Requirements**

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

**10. Public Interest Review**

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Authority, for a reconsideration of whether it remains in the public interest.

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**

# **ATTACHMENT D**

**(Production Costs and Other Pass-Throughs Rider)**

---

**CLASSIFICATION OF SERVICE****PRODUCTION COSTS AND OTHER PASS-THROUGHS ("PCOP") RIDER****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 Production Cost and Other Pass-Through ("PCOP") Rider will apply to customers in all service areas.

The above rider will be recomputed annually and will be adjusted to incorporate the Over-Under Collection Adjustment.

**2. Definitions**

For the purposes of this Rider:

**"Adjusted Review Period PCOP Costs"** means the Review Period PCOP Costs net of the Over-Under Collection Adjustment.

**"Authority"** means the Tennessee Regulatory Authority.

**"Base Period PCOP Costs"** means the amount of annual expenses of the Company for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses and TRA inspection fees reflected in the Relevant Rate Order.

**"Consumer Advocate"** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**"Over-Under Collection Adjustment"** means the adjustment to the PCOP Percentage Rate applicable to the coming Review Period for the net amount of over or under collections for the prior Review Period, as adjusted for Interest.

**"Relevant Rate Order"** means the final order of the Authority in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

---

**ISSUED: January 10, 2014****EFFECTIVE: February 10, 2014****BY:**

---

**Deron E. Allen  
PRESIDENT**

---

**109 Wehl Street  
Chattanooga, Tennessee 37403**

---

**“Review Period”** means the twelve month period on which the Review Period PCOP Costs are calculated.

**“Review Period PCOP Costs”** means the amount of actual annual expenses of the Company for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses, and TRA inspection fees, as adjusted for the Authority’s water loss policies.

### 3. General Description

PCOP allows the Company to recover outside of a rate case its incremental cost for purchased power expenses, purchased chemical expenses, purchased water expenses, wheeling charges, waste disposal expenses and TRA inspection fees, as adjusted for the Authority’s water loss policies.

Review Period PCOP Costs are to be separately identifiable on the Company’s books and segregated into the following general accounts:

Accounts 510000000 - 510999999 – Purchased Water Expense;  
Accounts 51510000 - 515999999 – Purchased Power Expense;  
Accounts 51800000 - 518999999 – Purchased Chemical Expense;  
Accounts 51110000 - 51115000 – Waste Disposal Expense; and  
Account 68545000 – TRA Inspection Fee.

### 4. Determination of the Annual Production Cost and Other Pass-Throughs Percentage

(A) The PCOP Percentage Rate shall be expressed as a percentage carried to two (2) decimal places. The PCOP Percentage Rate shall be applied to the total amount billed to each Customer based on the Company’s otherwise applicable rates and charges.

(B) The PCOP Percentage Rate shall be calculated on an annual historical basis as follows:

Base Period PCOP Costs from the Relevant Rate Order  
Divided by Relevant Rate Order Sales Volume in 100 Gallons  
Base Period PCOP Costs per 100 Gallons

Review Period PCOP Costs Subject to Authority’s Water Loss Policies  
Plus Over-Under Collection Adjustment  
Review Period PCOP Costs Adjusted for Over-Under Collections  
Divided by Relevant Rate Order Sales Volume in 100 Gallons

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

Adjusted Review Period PCOP Costs per 100 Gallons

Incremental Change in PCOP Costs per 100 Gallons

Multiplied by Relevant Rate Order Sales Volumes in 100 Gallons

PCOP Net Deferred Cost

Less Forfeited Discount Rate

Plus Uncollectible Expense Rate

Plus Gross Receipts Tax Rate

Total Deferred PCOP Costs

Divided by Anticipated Sales Revenue

PCOP Percentage Rate

Where:

**Forfeited Discount Rate** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Uncollectible Expense** = PCOP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

(C) The total amount to be recovered through the PCOP is the PCOP Percentage Rate.

#### 5. Computation of the Over-Under Collection Adjustment

The Company will identify and record the total amount of the PCOP Collected from Customers under this Rider for the Review Period. The difference between the Total PCOP Collected from Customers for the Review Period and the Total Deferred PCOP Costs authorized for the Review Period as determined in Section 4, as adjusted for Interest, shall constitute the Over-Under Collection Adjustment.

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Wehl Street  
Chattanooga, Tennessee 37403

---

(A) The Over-Under Collection Adjustment shall be computed as follows:

Total PCOP Costs Collected from Customers for the Review Period  
Less Total Deferred PCOP Costs Authorized for the Review Period  
Subtotal of Over-Under Collection Adjustment  
Plus Interest Adjustment  
Total Over-Under Collection Adjustment

(B) Computation of Interest Adjustment.

Interest will be computed as follows:

Subtotal of Over-Under Collection Adjustment  
Multiplied by (Interest Rate Multiplied by 50%)Interest Adjustment

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

#### 6. New Base Rates

The PCOP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the PCOP rider. Thereafter, only the costs of new PCOP incremental costs that have not previously been reflected in the Company's base rates would be reflected in new annual prospective PCOP filings.

#### 7. Annual Filing with the Authority

Within 30 days of the end of the most recently authorized Attrition Year set forth in the Relevant Rate Order, and every twelve months subsequent to the end of that Attrition Year, the Company shall submit to the Authority an annual filing calculating the PCOP Percentage Rate. The annual filing shall be verified by an officer of the Company. The PCOP Percentage Rate shall become effective 30 days after the annual filing is submitted to the Authority and shall be applied as an adjustment to Customers' bills for the twelve month period following the effective date of the PCOP Percentage Rate.

The Company will include in its annual filing the following information at a minimum: (a) a schedule of all Review Period PCOP Costs, including any related general ledger support, (b) actual

---

ISSUED: January 10, 2014

EFFECTIVE: February 10, 2014

BY:

Deron E. Allen  
PRESIDENT

109 Weihl Street  
Chattanooga, Tennessee 37403

---

billing determinants by month as used in the computation of the PCOP Collected from Customers, (c) computation of the PCOP Percentage Rate, including the detailed calculation of each component, (d) a schedule of any proposed prior period adjustments, (e) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (f) the cumulative amount of PCOP Costs collected from customers under this Rider, and (g) such other information as the Authority may direct.

The Company will simultaneously copy the Consumer Advocate on this annual filing.

**8. Notice Requirements**

The Company will file revised tariffs for Authority approval upon 30 days' notice to implement a decrement or an increment to the PCOP Percentage Rate. Along with the tariff filing, the Company will include a copy of the computation of the new PCOP Percentage Rate. The Company will simultaneously copy the Consumer Advocate on this tariff filing.

**9. Public Interest Review**

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Authority, for a reconsideration of whether it remains in the public interest.

---

**ISSUED: January 10, 2014**

**EFFECTIVE: February 10, 2014**

**BY:**

**Deron E. Allen  
PRESIDENT**

**109 Wehl Street  
Chattanooga, Tennessee 37403**



**TENNESSEE-AMERICAN WATER COMPANY**  
**Secretary's Certificate**

I, Nicole Boyd, being the Assistant Secretary of Tennessee-American Water Company ("Company"), do hereby certify that the following Resolutions were duly adopted by Unanimous Consent of the Board of Directors of said Company and that said Resolution, effective as of the 27<sup>th</sup> day of October, 2016, has not been rescinded, amended or modified:

**WHEREAS**, pursuant to the requirements of the Tennessee Regulatory Authority's approved Alternative Regulatory Mechanism, the attached current 2017 Capital Budget is submitted for approval; and

**WHEREAS**, pursuant to the requirements of the Tennessee Regulatory Authority's approved Alternative Regulatory Mechanism, the 2017 Forecasted QIIP Investment Amount, Forecasted EDI Investment Amount and Forecasted SEC Investment Amount per the attachment are submitted for approval as reflected in the current 2017 Capital Budget; and

**NOW THEREFORE BE IT,**

**RESOLVED**, that the current 2017 Capital Budget and Forecasted QIIP Investment Amount, Forecasted EDI Amount and Forecasted SEC Investment Amount, attached hereto as Exhibit A, is hereby approved for filing with the Tennessee Regulatory Authority.

IN WITNESS WHEREOF, I have hereunto set my hand as Assistant Secretary of Indiana-American Water Company, Inc., and have caused the corporate seal of said Company to be hereunto affixed, this 3<sup>rd</sup> day of November, 2016.

  
\_\_\_\_\_  
Nicole Boyd  
Assistant Secretary