BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

June 29, 2018

IN RE:	)	
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PETITION OF TENNESSEE-AMERICAN WATER COMPANY REGARDING THE 2018 INVESTMENT AND RELATED EXPENSES UNDER THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER	)	**DOCKET NO. 17-00124**

ORDER APPROVING *PETITION*

This matter came before Chairman David Jones, Commissioner Herbert H. Hilliard, and Commissioner Keith Jordan of the Tennessee Public Utility Commission (the "Commission" or "TPUC"), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on April 9, 2018 for consideration of the *Petition* filed by Tennessee-American Water Company ("TAWC", "Tennessee American" or the "Company") on November 7, 2017.

<u>BACKGROUND</u>

TAWC provides residential, commercial, industrial and municipal water service to customers in Tennessee and North Georgia. TAWC is a wholly-owned subsidiary of American Water Works Company, Inc. On November 7, 2017, TAWC filed a *Petition* requesting Commission approval to change the tariff percentage rates for the Qualified Infrastructure Investment Program Rider ("QIIP" or "QIIP Rider"), the Economic Development Investment Program Rider ("EDI" or "EDI Rider"), and the Safety and Environmental Compliance Program

Rider ("Safety Rider" or "SEC"). The QIIP, EDI and SEC (collectively, "Capital Riders") were previously approved by the Commission on April 14, 2014 in Docket No. 13-00130.[1]

On January 8, 2018, the Consumer Protection and Advocate Division of the Office of the Attorney General ("Consumer Advocate") filed its *Petition to Intervene.* On January 22, 2018, the Hearing Officer granted the Consumer Advocate's intervention.

PETITION

In accordance with the tariffs approved in TPUC Docket No. 13-00130, on or before December 1 of each year, the Company shall submit to the Commission an annual filing that calculates the tariff Rider percentage rates for the upcoming calendar year.[2] In pre-filed testimony in support of the *Petition*, Ms. Linda C. Bridwell asserted the Capital Riders were calculated consistent with the modifications and clarifications ordered in TPUC Docket Nos. 14-00121 and 15-00029, and the corrections made to the calculations in TPUC Docket Nos. 15-00111, 16-00022 and 17-00020.[3]

Per the directive of the Commission, the Company asserted new services, new meters and the alternative fuel vehicles costs have been removed from the EDI rider 2018 calculations and the cumulative amounts have been removed from the review periods of 2014, 2015, 2016 and 2017. Additionally, the Company provided new worksheets itemizing total additions, removals and retirements for 2014, 2015, 2016 and 2017 in an attempt to provide a clear audit

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[1] *See In re: Petition of Tennessee-American Water Company for Approval of a Qualified Infrastructure Investment 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, *Order Approving Amended Petition* (January 27, 2016).
[2] *See Petition*, pp. 5-7 (November 7, 2017).
[3] Linda C. Bridwell, Pre-filed Direct Testimony, pp. 3-4 (November 7, 2017).

trail.[4] The data used to calculate the Capital Riders was obtained from the books of the Company and personnel with direct knowledge of the related facts.[5]

Ms. Bridwell noted six changes from previous filings to the Excel worksheets to assist in review of the *Petition*: (1) the 2018 forecasted numbers and all formulas have been updated, and the actual 2016 capital expenditures from TPUC Docket 17-00020 have been added; (2) the method of calculation of the 2018 in-service amounts for planned lines has been changed to assume the projected in-service amount to be the capital expenditure during that month; (3) Tennessee American has implemented the methodology approved by the Commission in Docket No. 17-00020 to remove an estimated amount of performance compensation capitalized above the amount authorized in Docket No. 17-00029 for years 2013 through 2016. This reduction is carried forward in this filing and corrections have been made internally to prevent future capitalization above the authorized amount; (4) two workpaper tabs that estimated retirement and cost of removal amounts by the NARUC account for 2014-2016 have been eliminated from the worksheet; (5) the actual Contributions in Aid of Construction ("CIAC") amounts from 2016 are used to forecast the Contributions in the Aid of Construction amounts for 2017 and 2018; (6) due to permitting delays, one scheduled 2017 project (Investment Project I-26-020034) was moved to 2018, and in order to manage construction expenditures, two 2018 projects (IP 26-050002 and IP 26-050004) were moved up to and completed in 2017.[6]

Having reconsidered Mr. William H. Novak's proposal in his testimony as witness for the Consumer Advocate in Commission Docket 16-00126, Tennessee American agreed to eliminate the use of the multi-month average calculation of plant additions as the lag time involved has no

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[4] *Id.* at 8-9.
[5] *Id.* at 4-6.
[6] *Id.* at. 9-11.

material effect on the calculation of the revenue requirement.[7] While Tennessee American proposed to eliminate the multi-month average calculation for all future petitions, the Company did not propose to re-calculate any prior years.[8] Ms. Bridwell's testimony also described additional changes made to the Excel spreadsheet that are organizational in nature designed to help facilitate the review process.[9]

Ms. Bridwell testified that the Capital Rider calculations are prospective and utilize average end-of-month balances for the attrition period, beginning January 1, 2018 through December 31, 2018, and include only those qualified plant investments since the last rate case, reduced by plant retirements and including associated depreciation and tax expense. According to Ms. Briwell, while the EDI and SEC allowed recovery of operating expenses, none were included for recovery in the *Petition*.[10]

In summary, the Company's *Petition* proposed a QIIP Rider of 10.77% to generate $5,069,482 in revenue recovery; an EDI Rider of 0.45% to generate $211,705 revenue recovery; and an SEC Rider of 6.56% to generate $3,085,842 revenue recovery.[11] According to Ms. Bridwell, the Capital Riders remain in the public interest and provide an incentive for the Company to invest in the infrastructure necessary to provide safe and reliable service and spur economic development within its service territory because the investment can be recovered immediately and without the costs and time needed for a rate case. Ms. Bridwell stated she is not aware of any changes in market conditions or other factors that would affect whether the Riders remain in the public interest.[12]

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[7] *Id.* at 11-12.
[8] *Id.*
[9] *Id.* at 12-13.
[10] *Id.* at 17.
[11] *Id.* at 28-29.
[12] *Id.* at 30-33.

The Company also provided the pre-filed testimony of Brent E. O'Neill P.E. in support of the *Petition* concerning the investment plan for determining the QIIP, EDI and SEC with (1) Recurring Projects ("RP") and (2) Major Projects identified as investment projects ("IP"). Tennessee American provided a copy of its 2018 Strategic Capital Expenditures Plan with the testimony of Mr. O'Neill.[13] Recurring projects consist of smaller main projects, replacement of hydrants and valves, service line and meter setting replacements, security improvements, plant control improvements, projects to replace and maintain treatment and new mains to assist with economic development. Main projects are designed to meet peak hour customer demands while maintaining the pressure requirements set by TPUC rules and to provide sufficient fire flow as directed by the Insurance Services Office ("ISO").[14]

According to Mr. O'Neill, the QIIP allows Tennessee American to replace aging infrastructure such as small diameter mains and mains with continuing leaks on a timely basis. The replacements are planned and proactive resulting in a more reliable and safe infrastructure, with less of a rate shock to customers. During 2018, Tennessee American plans on replacing 15,950 feet of main with an approximate cost of $1,725,000. The Company expressed the scheduled replacements willl result in fewer water leaks, a reduction in the amount of water produced and less energy consumption.[15]

Mr. O'Neill testified that the majority of mains scheduled for replacement during 2018 are cast iron and galvanized material. While these types of mains represent about 50.6% of main footage within the system, they were responsible for approximately 89.3% of all breaks from January 2010 to September 2017. For this reason, the Company is focusing on cast iron and galvanized replacements for the next several decades until an estimated 700 miles of this

[13] Brent E. O'Neill P.E., Pre-Filed Direct Testimony, pp. 4-5 (November 7, 2017).
[14] *Id.* at 5-6.
[15] *Id.* at 10-12.

material is removed. The QIIP also includes unscheduled main replacements or restoration of existing mains. Unscheduled replacements occur when there is an unexpected event such as a leak and the company determines it is more beneficial to replace the main rather than just repairing the failure. Tennessee American is proposing to spend $1,029,000 for unscheduled replacements in 2018. According to Mr. O'Neill, this amount is similar to the historical five-year average during 2012-2016 spent for unscheduled mains.[16]

For 2018, Tennessee American has budgeted $110,000 for relocation of existing water mains which occur because of municipal or state agency projects, significantly less than the historical five-year average (2012-2016) of $965,844.[17] The budgeted amount to replace hydrants and valves is $422,000, an amount the Company submits is similar to the historical five-year average from 2012-2016.[18] Tennessee American intends to spend $630,250 to replace small diameter pipe between the customer and the Company's distribution main, an amount greater than the historical five-year average (2012-2016) of $498,869. Based on the average cost of replacement, this will allow the Company to replace approximately 316 services.[19]

The QIIP also includes $2,255,940 for replacement of approximately 13,591 meters during 2018, a projection that is above the historical five-year average between 2012 and 2016 of $939,857. Mr. O'Neill attributed this increase to the replacement of meters with Automatic Meter Reading ("AMR") meters. AMR meters allow the Company to read meters from the road rather than physically approaching each meter. The current plan allows Tennessee American to have full deployment of these meters throughout its system by 2021.[20]

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[16] *Id.* at 15-16.
[17] *Id.* at 18.
[18] *Id.* at 19.
[19] *Id.* at 17-20.
[20] *Id.* at 20-21.

Water storage tank rehabilitation/painting is budgeted at $1,000,000 for the rehabilitation of Aldrich Unit 6.[21] One Capital Investment Project included in the QIIP is the Tennessee River Transmission main Crossing Project, costing $2,414,209. This project was included in the 2017 QIIP, but due to delays in the permitting process, the project was not completed. The Company expects the in-service date for this project to be in December of 2018. According to Mr. O'Neill, all expenditures on this project from 2017, approximately $162,000, are to be part of the proposed 2018 QIIP. Projects that were scheduled for 2018 (Whitwell WTP and Citico WTP) were moved to 2017 to balance out expenditures.[22]

The EDI rider budgets $963,000 for new water mains associated with economic development. The planned expenditures are intended to increase water capacity and pressure in Whitwell and Chattanooga. The Company expressed it intended to spend $133,000 on new hydrants and valves, providing for the economic health and growth of the communities.[23]

The SEC includes System Control and Data Acquisition ("SCADA") Equipment and Systems, Security Equipment and Systems, and Process Plant Facilities and Equipment. Tennessee American budgeted $160,000 for SCADA improvements in 2018. These improvements primarily include replacing out of date controllers located at eight remote sites. The 2018 budget for Security Equipment and Systems is $150,000, and Process Plant Facilities and Equipment spending is budgeted at $890,000. All of the projected expenditures ensure that the operation of the water system is meeting state and federal safety and environmental requirements.[24]

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[21] *Id.* at 21-22.
[22] *Id.* at 22-25.
[23] *Id.* at. 28-30.
[24] *Id.* at 31-34.

SUPPLEMENTAL TESTIMONY OF TENNESSEE AMERICAN

On February 7, 2018, Linda Bridwell submitted supplemental testimony to present a change in the Company's Capital Riders filing following the receipt of the Consumer Advocate's Second Discovery Request concerning the recent enactment of 2017 Tax Reform Act which decreased the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. The Company proposed to adjust the 2018 Capital Recovery Riders and the 2018 Capital Recovery Riders Accumulated Deferred Income Tax ("ADIT") to reflect the new tax rate while a recalculation of all ADIT will be addressed at a later date in a future Docket.[25] Following the first substantive change in the proposed *Petition*, Tennessee American is proposing a QIIP of 9.94%, an EDI of 0.41%, and a SEC of 6.03% yielding a decrease of $651,790 from the original revenue requirement filed by the Company. [26]

POSITION OF THE CONSUMER ADVOCATE

Following discovery and exchanges of information with TAWC, Mr. Hal Novak and Mr. David N. Dittemore submitted pre-filed testimony on behalf of the Consumer Advocate which addressed the calculations of TAWC's proposed Capital Riders.

While overall finding the calculations supporting the surcharges to be reasonable, Mr. Novak did note three concerns: (1) The lack of supporting data in the filing; (2) the lack od consistency of calculations; and (3) the lack of accuracy of the calculations.[27] Mr. Novak asserts that there is unsupported hard-coded data for over $520,000 in forecasted plant additions and $3,000,000 in forecasted removal costs.[28] Mr. Novak recommended that the Commission direct

[25] Linda Bridwell, Supplemental Pre-filed Testimony, pp. 1-3 (February, 7, 2018).
[26] *Id.* at 5.
[27] William H. Novak, Pre-filed Direct Testimony, pp. 5-6 (February 21, 2018).
[28] *Id.* at 6-7.

the Company to either provide accurate supporting data for these hard-coded numbers or remove these amounts from the filing.[29]

The second concern of Mr. Novak is that the Company made changes to the calculation method for not only the 2018 filing but also retroactively applied them to the 2017 budget filing. Specifically, these changes are as follows: (1) the Company eliminated the three-month average in forecasting monthly plant additions and substituted the projected monthly construction expenditure for each month, (2) the Company updated Business Unit allocation factors based on a three-year average 2014-2016 instead of actual expenditures from 2012, and (3) the Company updated the forecast for retirements and removal costs based on a three-year average 2014-2016 instead of estimating the costs.[30] While Mr. Novak does not oppose these changes for this filing and any future filings, he believes that it is improper to apply them retroactively to 2017. He recommends that the Commission direct the Company to provide a recalculated filing that includes the previously approved calculation method for 2017.[31]

Mr. Novak's final concern is that the Company did not deduct any customer provided CIAC before calculating the appropriate tax depreciation rate. In response to the Consumer Advocate's second data request, the Company relayed that it intended to exclude the CIAC from the tax depreciation calculation in all future filings.[32] Mr. Novak does not see any basis for this change and recommends that the Commission direct the Company to provide a recalculated filing that includes the CIAC on the tax depreciation calculation.[33]

Mr. Novak notes that Tennessee American's rates appear to be the lowest of its affiliates from Kentucky, Virginia, and West Virginia, even with the current filing increase. Therefore, he

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[29] *Id.*
[30] *Id.* at 8-11.
[31] *Id.*
[32] *Id.* at 12.
[33] *Id.* at 11-12.

concludes that the Capital Riders appear to allow the Company to "replace critical infrastructure while at the same time maintaining a relatively favorable rate structure."[34]

Mr. David N. Dittemore provided pre-filed direct testimony addressing the calculation of the ADIT balances used by the Company to reduce the Rate Base within the filing. Mr. Dittemore opined that the balances were lower than expected and raised concerns the Rate Base has been overstated.[35] In a review of the calculations by the Consumer Advocate, it was determined that standard tax depreciation rates were used to calculate the ADIT balance rather than Bonus Depreciation. Bonus Depreciation was used within the Company's tax returns. Mr. Dittemore asserted that it is important that the tax depreciation amounts in the Capital Riders filing should match the rates used in the tax return.[36]

Mr. Dittemore disagrees with the Company's practice of not using Bonus Depreciation in the calculation of the ADIT because it has been in a Net Operating Loss ("NOL") since 2008. Mr. Dittemore submits that the Company should calculate the ADIT using Bonus Depreciation and then "assign an appropriate NOL asset to the Riders based upon the amount and composition of the TAWC taxable income for the periods in question." Although he cannot definitively conclude whether the net ADIT is overstated or understated, Mr. Dittemore asserts that it is not correct and needs to be recalculated.[37]

Mr. Dittemore testified that ignoring Bonus Depreciation could significantly affect the ADIT balance. Therefore, Mr. Dittemore recommends that the Company's true-up calculations

[34] *Id.* at 12-13.
[35] David N. Dittemore, Pre-filed Direct Testimony, pp. 5-6 (February 21, 2018).
[36] *Id.*
[37] *Id.* at 6-7.

include Bonus Depreciation rates, consistent with its tax return, and that this issue be addressed in the subsequent Rider true-up filing.[38]

Mr. Dittemore affirms that TAWC has properly handled the tax rate change from 35% to 21% from the Tax Cut and Jobs Act signed into law in December; however, the Company has not yet determined how to handle the excess amount now accumulated in the ADIT due to this change. Mr. Dittemore recommended that the Company should file all needed information by the deadline put forth by Docket 18-00001 and that the 21% tax rate should be incorporated in the Capital Riders true-up filing effective January 1, 2018, instead of the effective date of the new Capital Riders in this Docket. Mr. Dittemore further recommends that the Company should put aside the excess ADIT from the Capital Riders, not just excess ADIT associated with the base rate, to be used in future ratemaking.[39]

REBUTTAL OF TENNESSEE AMERICAN

In pre-filed rebuttal testimony filed on February 21, 2018, Ms. Bridwell does not agree with Mr. Novak's concerns over the supporting data for the hard coded amounts $520,000 in forecasted plant additions and $3,000,000 in forecasted removal costs.[40] Ms. Bridwell stresses that Tennessee American has tried hard to minimize hard coded data in their worksheets and works conscientiously to provide adequate support and clarification for all data. Furthermore, the Company has provided all information requested by the Consumer Advocate. Ms. Bridwell asks that the Commission reject Mr. Novak's recommendation.[41]

While Ms. Bridwell does admit that Tennessee American eliminated the 3-month average for Business Units A, B, C, and D from the 2018 In-Service SCEP forecast, she does not agree

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[38] *Id.* at 8-9.
[39] *Id.* at 10-12.
[40] Linda C. Bridwell, Pre-filed Rebuttal Testimony, pp. 1-2 (February 28, 2018).
[41] *Id.* at 5-6.

with Mr. Novak's claim that the Company retroactively applied this to the 2017 forecast. She maintains that the 3-month average formulas are "clearly visible" on the worksheet. Only the 2018 forecast was changed to a monthly construction cost amount.[42]

Ms. Bridwell acknowledged that, as a result of an internal miscommunication, the Company did update their allocation factors and methods for calculating the forecasted retirement and removal costs without providing notice of the change.[43] In the Company's estimation, the new method is a better way to handle the forecasts and the difference between the two ways is immaterial and should not be reversed. Nevertheless, the Company will consent to change it back if contention over this issue persists.[44]

With respect to Mr. Novak's concerns over the changes made to the Tax Depreciation calculation involving the CIAC, Ms. Bridwell testified that the two business units (D and E), included in the 2018 CIAC, were deducted from the tax depreciation reconciliation calculations but were not included in the Capital Riders filing because it would have required the creation of a separate worksheet and would have increased the complexity of the calculation.[45] She asserted that when the CIAC is subtracted in the calculation, the balance is actually slightly higher than when it is not subtracted. This is to the customers' advantage and will be trued-up in the reconciliation anyway. Because of the complexity of the calculation and that fact that the result benefits the customers, Ms. Bridwell does not agree with Mr. Novak that the calculation should be changed to include the deduction of the CIAC.[46]

Ms. Bridwell disagreed with Mr. Dittemore's assertion that Bonus Depreciation should be included in the Riders. The Company claims to have been in a NOL since 2008 and strongly

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[42] *Id.* at 7-8.
[43] *Id.* at 9.
[44] *Id.*
[45] Id. at 10.
[46] *Id.*

opposes the retroactive inclusion of Bonus Depreciation.[47] Ms. Bridwell, like Mr. Dittemore, contends that the issue is best addressed in a reconciliation filing of the Capital Riders.[48] Ms. Bridwell contested Mr. Dittemore's recommendation that the reduced Corporate Tax Rate become effective January 1, 2018 instead of when the new Capital Rider amounts are approved and come into effect. According to Ms. Bridwell, the Company cannot retroactively discount the rates when the new Riders have not yet been implemented as the prior year's rates stay in place until new rates are approved. When the 2018 reconciliation is filed and approved in 2019, the customers' bills will be credited any amount that they may have overpaid from the few months the new rates were not in effect because the review period will be all of 2018, from January through December.[49]

With respect to Mr. Dittemore's concerns about the re-assessment of the ADIT in light of the reduced corporate tax rate, Ms. Bridwell states that the Company already has American Water tax experts working on the re-measurement of the ADIT but that the final calculations will most likely not be completed until much later in 2018. As Mr. Dittemore recommends, the Company will address all parts of the ADIT, not just the parts associated with base rates.[50]

SUPPLEMENTAL REBUTTAL OF TENNESSEE AMERICAN REFLECTING AMENDMENTS

In Supplemental Rebuttal Testimony filed on March 15, Ms. Bridwell states that, through mutual cooperation and negotiation, both the Company and the Consumer Advocate have come to an agreement.[51] The result of this agreement increases the revenue requirement by $19,330 to $7,734,569.[52] The Company amendments resulted in a QIIP surcharge of 10.05%, an EDI

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[47] *Id.* at 11.
[48] *Id.*
[49] *Id.* at 11-12.
[50] *Id.* at 12-13.
[51] Linda C. Bridwell, Supplemental Rebuttal Testimony, p. 1 (March 15, 2018).
[52] *Id.*, Exhibits, at EXH Summary.

surcharge of 0.41% and a SEC surcharge of 5.97% effective January 1, 2018.[53] The Company projects an increase in average residential customer's bill of $0.54 per month or $6.48 a year.[54]

According to Ms. Bridwell, changes were made to their workpapers, including the addition of a new tab to calculate the retirements and removals as used in Docket No. 16-00126.[55] Specifically, Ms. Bridwell stated that the Company has addressed Mr. Novak's concern over unsupported, hard-coded data and resolved the issue by revising the worksheets to match the supporting documentation. Ms. Bridwell testified that Mr. Novak's concerns over the consistency of the calculations have also been resolved. No changes have been made to the 3-month average for Business Units A, B, C, and D in 2017. However, the Company restored the 2017 calculations for the Business Unit allocation factors and forecast for retirements/forecast for removed costs back to the way they were before this filing. The 2018 calculations remain the same.[56] Ms. Bridwell asserts that the Company has now recalculated the tax depreciation rate for 2017 and 2018 with the deduction of CIAC, resolving this issue.[57]

Ms. Bridwell maintains that the adjustments made to the filing were not consequential and were made in the spirit of "transparency, cooperation and collaboration." Ms. Bridwell therefore maintains that the Capital Riders remain in the public interest and recommends that the Commission approve the 2018 Capital Riders, as revised.[58]

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[53] *Id.*
[54] *Id.* at 7.
[55] *Id.* at 2.
[56] *Id.* at 5-6.
[57] *Id.* at 6-7.
[58] *Id.* 7-8.

MARCH 19, 2018 HEARING AND APPEARANCES

A Hearing in this matter was held before the voting panel on March 19, 2018, as noticed by the Commission on March 9, 2018. Participating in the hearing were the following parties and their respective counsel:

> TAWC - Melvin J. Malone, Esq., Butler, Snow, O'Mara, Stevens & Cannada, PLLC, 1200 One Nashville Place, 150 Fourth Avenue North, Nashville, Tennessee 37219.
>
> Consumer Advocate – Daniel P. Whitaker, III, Esq., Office of the Attorney General, P.O. Box 20207, Nashville, Tennessee 37202.

At the beginning of the hearing, the Consumer Advocate indicated that, with the filing of the Company's supplemental testimony containing amendments to the *Petition* and supporting workpapers, the parties had reached an agreement and that there were no longer any contested issues.[59] The Consumer Advocate noted that the issue concerning the treatment of ADIT and bonus depreciation raised by Mr. Dittemore was not resolved but reserved the right to address the matter in the next Capital Rider reconciliation, and the Company indicated that was their understanding of the agreement between the parties.[60]

The voting panel heard testimony by Mr. Brent O'Neill and Ms. Linda Bridwell on behalf of the Company and Mr. William H. Novak and Mr. David N. Dittemore on behalf of the Consumer Advocate. During the hearing, the public was given an opportunity to offer comment, but no member of the public sought to comment on the *Petition*.

FINDINGS AND CONCLUSIONS

Upon review of the entire evidentiary record in this matter, the panel unanimously found

[59] Transcript of Proceeding, pp.11-12 (March 19, 2018).
[60] *Id.*, 12-13.

the revisions made to the worksheets to match and bolster supporting documentation for the hard coded numbers in plant additions and removal costs are proper and necessary and have sufficiently resolved the related contested issue.

The panel further concluded the recalculations made by the Company to restore the 2017 calculations for the Business Unit allocation factors and the forecast for retirements and removal costs to be reasonable. Further, the recalculation of the tax depreciation rate to include the deduction of CIAC is also reasonable. These two recalculations have adequately resolved the related contested issues. Based upon the record and assertions by the parties, the parties are in agreement that the issue as to whether and to what extent bonus depreciation is included in the calculation of ADIT should be addressed in a future Capital Rider reconciliation filing. The panel voted unanimously to accept this position and therefore find this issue is moot in the instant docket.

Based upon the preceding, the panel unanimously voted to approve a Qualified Infrastructure Investment Program Rider of 10.05%; an Economic development Investment Rider of 0.41%; and a Safety and Environmental Compliance Rider of 5.97%.

Finally, the panel voted unanimously that the three mechanisms continue to benefit both consumers and Tennessee American. The programs allow the utility timely recovery of investment related expenses to ensure safe and reliable drinking water and promote economic development, while benefitting consumers through reduced rate case and legal expenses that would otherwise result through expensive rate case proceedings.

IT IS THEREFORE ORDERED THAT:

1. The *Petition*, as subsequently amended, filed by Tennessee-American Water Company on November 7, 2017, is approved.

2. A Qualified Infrastructure Investment Rider of 10.05% resulting in annual revenues of $ 4,730,639 is approved.

3. An Economic Development Investment Rider of 0.41% resulting in annual revenues of $194,545 is approved.

4. A Safety and Environmental Compliance Rider of 5.97% resulting in annual revenues of $2,809,385 is approved.

Chairman David F. Jones, Commissioner Herbert H. Hilliard and Commissioner Keith Jordan concur.

ATTEST:

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Earl R. Taylor, Executive Director