

November 26, 2024

**VIA ELECTRONIC FILING**

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Hon. David Jones, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
TPUC.DocketRoom@tn.gov

**RE: *In Re: Petition of Tennessee-American Water Company's 2024 Incremental Capital Recovery Rider Tariff*, TPUC Docket No. 24-00011**

**and**

***In Re: Tennessee-American Water Company's Response to Commission's Investigation of Impacts of Federal Tax Reform on the Public Utility Review Requirements*, TPUC Docket No. 18-00039**

Dear Chairman Jones:

Consistent with the decisions of the Tennessee Public Utility Commission ("TPUC" or "Commission") in TPUC Docket No. 18-00039, and the Commission's orders in Docket Nos. 24-00011 and 22-00072, Tennessee-American Water Company ("TAWC" or the "Company") is implementing an adjustment of rates to reflect the amortization (normalization) of the protected Excess ADIT. This adjustment results in a reduction of the TCJA Excess ADIT adjustment from 0.50 to -0.62%. The calculation of this adjustment is included as **Attachment 1**. This new rate will become effective January 1, 2025.

The updated Incremental Capital Recovery Rider Tariff will result in a reduction in an average residential customers' monthly bill of approximately \$0.21, representing an estimate of -0.82% decrease. A revised Tariff Sheet (**Thirty-Eighth Revised Sheet No. 12- Riders-1**), with an effective date of January 1, 2025, is attached as **Attachment 2**.

As set forth above, TAWC will implement this update effective January 1, 2025.<sup>1</sup> As required, the original plus four (4) hard copies will be mailed to your office. Should you have any

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<sup>1</sup> For administrative reference purposes, TAWC is also requesting that this letter be filed in *In Re: Petition of Tennessee-American Water Company Regarding the 2022 Investments and Related Expenses Under the Qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider and the Safety and Environmental Compliance Rider*, TPUC Docket No. 22-00072.

Hon. David Jones, Chairman


November 26, 2024

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questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

Attachments

cc: Bob Lane, TAWC

Karen H. Stachowski, Consumer Advocate Division

Vance Broemel, Consumer Advocate Division

# **ATTACHMENT 1**

Tennessee American Water  
Excess ADIT  
Tariff Rate Calculation

2020 Rate		ADIT Amount	
Rate Year Amortization		\$2,499,478.43	amortization amount includes adjustment for inverse sign from TRUC Staff discovery response
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$3,282,310.00	
EADIT Rate Base Offset		\$745,993.36	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$63,047.00	
Total 2020 EADIT Revenue Credit		\$3,219,263.00	
Authorized Revenues For 2020 Credit (7/12/16)		527,459.672	
EADIT percentage to apply to bill for 2020		6.172%	EADIT rate will be required to expire at year end, 12/31/20

2021 Rate		\$1,791,162.77	
Rate Year Amortization			
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$2,424,914.00	
EADIT Rate Base Offset		\$3,320,059.81	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$2,880,593.00	
Total 2021 EADIT Revenue Credit		\$1,144,331.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill for 2021		6.560%	Annual rate to be applied on 1/1/2021

2022 Rate		\$1,778,656.29	
Rate Year Amortization			
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$2,407,983.00	
EADIT Rate Base Offset		\$5,104,969.34	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$633,444.00	
Total 2022 EADIT Revenue Credit		\$1,976,539.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		6.250%	Annual rate to be applied on 1/1/2022

2023 Rate		\$467,608.00	
Rate Year Amortization			
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$633,428.00	
EADIT Rate Base Offset		\$6,228,201.49	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$526,373.00	
Total 2023 EADIT Revenue Credit		\$106,955.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		0.230%	Annual rate to be applied on 1/1/2023

2024 Rate		\$235,694.00	
Rate Year Amortization			
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$319,088.00	
EADIT Rate Base Offset		\$6,579,952.49	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$556,102.00	
Total 2024 EADIT Revenue Credit		\$237,614.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		0.50%	Annual rate to be applied on 1/1/2024

2025 Rate		\$209,960.00	
Rate Year Amortization			
Gross-up Rate		1.35182116	
Grossed Up Amortization		\$284,248.00	
EADIT Rate Base Offset		\$6,802,779.49	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$574,834.00	
Total 2025 EADIT Revenue Credit		\$230,686.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		0.62%	Annual rate to be applied on 1/1/2025 before GRC goes into effect. Remove once GRC in effect.

2020 EADIT Rate Base														
Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total	
0.00	0.00	0.00	0.00	0.00	0.00	346,354.06	346,354.06	346,354.06	346,354.06	346,354.06	346,354.06	346,354.07	2,424,478.43	50.00
Average														

2021 EADIT Rate Base														
Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total	
0.00	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	1,791,162.77	50.00
2,424,478.43	2,573,741.99	2,723,005.56	2,872,269.12	3,021,532.69	3,170,796.25	3,320,059.81	3,469,323.38	3,618,586.94	3,767,850.51	3,917,114.07	4,066,377.63	4,215,641.20	3,320,059.81	Average

2022 EADIT Rate Base														
Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total	
0.00	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	1,778,656.29	50.00
4,215,641.20	4,363,862.56	4,512,083.91	4,660,305.27	4,808,526.63	4,956,747.99	5,104,969.34	5,253,190.70	5,401,412.06	5,549,633.42	5,697,854.78	5,846,076.13	5,994,297.49	5,104,969.34	Average

2023 EADIT Rate Base														
Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total	
0.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	467,808.00	50.00
5,994,297.49	6,093,281.49	6,072,265.49	6,111,249.49	6,150,233.49	6,189,217.49	6,228,201.49	6,267,185.49	6,306,169.49	6,345,153.49	6,384,137.49	6,423,121.49	6,462,105.49	6,228,201.49	Average

2024 EADIT Rate Base														
Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total	
0.00	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	235,694.00	50.00
6,462,305.49	6,481,746.66	6,501,187.82	6,521,628.99	6,542,070.16	6,562,511.32	6,579,952.49	6,599,393.66	6,619,234.82	6,638,875.99	6,658,517.16	6,678,158.32	6,697,799.49	6,579,952.49	Average

2025 EADIT Rate Base														
Dec-24	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total	
0.00	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	17,496.67	209,960.00	0.00
6,697,799.49	6,715,296.16	6,732,792.82	6,750,289.49	6,767,786.16	6,785,282.82	6,802,779.49	6,820,276.16	6,837,772.82	6,855,269.49	6,872,766.16	6,890,262.82	6,907,759.49	6,802,779.49	Average

Tennessee American Water  
Excess ADIT  
Years 2018, 2019 & 2020  
Response to PUC Staff DR 1\_003

Response to PUC Staff DR 1_003			Non Plant / Non Power Tax Amortization Period	Per Company			PUC1_003			Per 5/11 Hearing	
		Total Net Excess	Protected / Unprotected	2018 Excess	2019 Excess	2020 Excess		2018 Excess	2019 Excess	2020 Excess	2020 Excess
Net Excess Amortization from Powertax (Rpt 259)											
Method / Life	ARAM	13,196,175	Protected	363,518	372,267	400,935	ARAM	363,518	372,267	400,935	1,136,720 three years
Cost of Removal	ARAM	552,564	Uncertain	0	0	0	ARAM	0	0	0	0 three years
Repairs	ARAM	4,757,620	Unprotected	123,584	141,299	110,508	3 yr	1,585,873	1,585,873	1,585,873	1,585,873 first year
Taxable CIAC	ARAM	(403,370)	Protected	(22,436)	(22,436)	(22,437)	ARAM	(22,436)	(22,436)	(22,437)	(67,309) three years
All Other	ARAM	268,862	Unprotected	64,034	85,657	46,173	3 yr	89,621	89,621	89,621	89,621 first year
Powertax		18,371,852		528,700	576,786	535,179		2,016,576	2,025,325	2,053,992	2,744,905
Federal NOL	Proportional to ARAM	(801,599)	Uncertain	23,969	28,685	25,412	ARAM	23,969	28,685	25,412	(78,066) three years
Plant Customer Advances	Proportional to ARAM	(460,203)	Unprotected	(13,244)	(14,876)	(14,264)	3 yr	(153,401)	(153,401)	(153,401)	(153,401) first year
Plant CWIP	Proportional to ARAM	11,763	Unprotected	339	380	365	3 yr	3,921	3,921	3,921	3,921 first year
CIAC WIP	Proportional to ARAM	(5,619)	Unprotected	(162)	(182)	(174)	3 yr	(1,873)	(1,873)	(1,873)	(1,873) first year
Plant 481	Proportional to ARAM	110,156	Unprotected	3,170	3,561	3,414	3 yr	36,719	36,719	36,719	36,719 first year
Total Subject to ARAM		17,226,349		542,771	594,354	549,932		1,925,910	1,939,375	1,964,770	2,552,205
All Other Non Plant	Amortization	(383,178)	Unprotected	20	(19,159)	(19,159)	3 yr	(127,726)	(127,726)	(127,726)	(127,726) first year
Total Federal and State Excesses		16,843,171		523,613	575,196	530,773		1,798,184	1,811,649	1,837,044	2,424,478

1,786,220

Calculation of EADIT Credit

		Per Company	PUC1_003
Catch up amortization	1-1-18 to 12-31-19	1,098,808	3,609,833
Gross Up		1,487,590	4,887,068
Rate Year Amortization		530,773	1,837,044
Gross Up	1-1-20 to 12-31-20	718,572	2,487,029
<b>Total 2020 Credit</b>		<b>2,206,162</b>	<b>7,374,098</b>
Authorized Revenues		47,073,724	47,073,724
EADIT percentage to apply to bill		4.69%	15.66%
Docket # 19-00105			
Tariff percentage authorized		24.21%	24.21%
EADIT percentage adjustment		-4.69%	-15.66%
<b>Tariff percentage with 2020 EADIT</b>		<b>19.52%</b>	<b>8.55%</b>

## **ATTACHMENT 2**

**CLASSIFICATION OF  
SERVICE****SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, the Legacy Capital Recovery Riders, Incremental Capital Recovery Rider (“ICR”), and Production Costs and Other Pass-Throughs Rider (“PCOP”) will apply to customers in all approved service areas.

**2. The Percentage of Riders, Reconciliation and Offsets**

For the Riders defined in the tariffs:

Legacy Capital Recovery Riders	36.30%
<u>Incremental Capital Recovery Rider</u>	<u>0.00%</u>
Total of Legacy and Incremental Capital Recovery Riders	36.30%
Reconciliation Rate (expires December 31, 2023)	0.00%
Offset to Legacy and ICR Riders for TCJA Savings	-4.32%
Offset to Legacy and ICR Riders for Excess ADIT	-0.62% (d)
PCOP	4.40%

(D) Indicates Decrease

(I) Indicates Increase

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ISSUED: November 27, 2024

EFFECTIVE: January 1, 2025

BY:



Grant A. Evitts  
PRESIDENT

109 Wiehl Street  
Chattanooga, Tennessee 37403

CERTIFICATE OF SERVICE

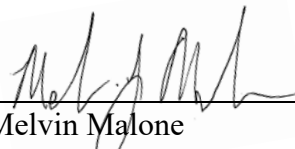
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

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This the 26<sup>th</sup> day of November 2024.

  
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Melvin Malone