

Tennessee American

Docket No. 18-XXXXX - Calculation of Tax Expense Change and Gross Up

		Amount
A	Authorized Federal Income Tax (less FAS 109 and ITC)	\$ 3,750,766
B	A x 21/35	2,250,459
C	Difference	\$ (1,500,306)
D	Gross Up	1.35641
E = C x D	Grossed Up Difference = C x D	\$ (2,035,031)
F = E - C	Gross Up Amount	\$ (534,725)

		% of Gross Up	Amount of Gross Up (F x Item %)	Financial Statement Grouping
G	Forfeited Discounts	-3.2962%	\$ 17,625	O&M Expense
H	Uncollectible Expense	4.0230%	(21,512)	O&M Expense
I	State Income Tax	24.6901%	(132,024)	State Income Tax
J	Federal Income Tax	74.5831%	(398,814)	Federal Income Tax
K = Sum G through J	Total Gross Up (ties to F)		\$ (534,725)	

Tennessee American  
Docket No. 18-XXXX - Income Statement from Prior Rate Case

From Docket No. : 12-00049  
Exhibit  
Schedule 12

**TENNESSEE-AMERICAN WATER COMPANY**  
Income Statement at Proposed Rates  
For the 12 Months Ending November 30, 2013

Line No.		Current Rates A/	Rate Increase B/	Proposed Rates
	<b>Operating Revenues:</b>			
1	Water Sales Revenues	\$ 41,873,724	\$ 5,200,000	\$ 47,073,724
2	Other Revenues	1,771,318	45,037	1,816,355
3	<b>Total Water Revenue</b>	<b>\$ 43,645,042</b>	<b>\$ 5,245,037</b>	<b>\$ 48,890,079</b>
	<b>Operating &amp; Maintenance Expenses:</b>			
4	Salaries And Wages	\$ 5,188,473	\$ 0	\$ 5,188,473
5	Purchased Water	51,331	0	51,331
6	Purchased Power	2,678,772	0	2,678,772
7	Chemicals	986,930	0	986,930
8	Waste Disposal	213,308	0	213,308
9	Support Services	5,430,920	0	5,430,920
10	Group Insurance	1,778,902	0	1,778,902
11	Pensions	1,317,144	0	1,317,144
12	Regulatory Expense	650,315	0	650,315
13	Insurance Other Than Group	365,057	0	365,057
14	Customer Accounting	1,290,266	54,968	1,345,234
15	Rents	8,720	0	8,720
16	General Office Expense	281,218	0	281,218
17	Miscellaneous	2,115,085	0	2,115,085
18	Maintenance Expense	1,284,928	0	1,284,928
19	<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$ 23,641,369</b>	<b>\$ 54,968</b>	<b>\$ 23,696,337</b>
20	Depreciation Expense	\$ 6,090,861	\$ 0	\$ 6,090,861
21	Amortization Expense	29,307	0	29,307
22	General Taxes	4,510,468	0	4,510,468
23	State Excise Taxes	307,859	337,354	645,214
24	Federal Income Taxes	2,668,795	1,698,450	4,367,246
25	<b>Total Operating Expenses</b>	<b>\$ 37,248,660</b>	<b>\$ 2,090,773</b>	<b>\$ 39,339,432</b>
26	<b>Utility Operating Income</b>	<b>\$ 6,396,382</b>	<b>\$ 3,154,264</b>	<b>\$ 9,550,647</b>

A/ TRA Exhibit, Schedule 7.

B/ TRA Exhibit, Schedule 1.

TENNESSEE-AMERICAN WATER COMPANY  
Excise and Income Taxes  
For the 12 Months Ending November 30, 2013

Line No.		SETTLEMENT <sup>A/</sup>
1	<b>Operating Revenues</b>	\$ <b><u>43,645,042</u></b>
	<b>Operating Expenses:</b>	
2	Salaries And Wages	\$ 5,188,473
3	Purchased Water	51,331
4	Purchased Power	2,678,772
5	Chemicals	986,930
6	Waste Disposal	213,308
7	Support Services	5,430,920
8	Group Insurance	1,778,902
9	Pensions	1,317,144
10	Regulatory Expense	650,315
11	Insurance Other Than Group	365,057
12	Customer Accounting	1,290,266
13	Rents	8,720
14	General Office Expense	281,218
15	Miscellaneous	2,115,085
16	Maintenance Expense	1,284,928
17	Depreciation Expense	6,090,861
18	Amortization Expense	29,307
19	General Taxes	4,510,468
20	<b>Total Operating Expenses</b>	\$ <b><u>34,272,005</u></b>
21	<b>NOI Before Excise and Income Taxes</b>	\$ <b>9,373,037</b>
22	AFUDC	-156,984 B/
23	Interest Expense	4,793,726 C/
24	<b>Pre-tax Book Income</b>	\$ <b><u>4,736,295</u></b>
25	Schedule M Adjustments	3,300,973 D/
26	<b>Excise Taxable Income</b>	\$ <b><u>1,435,322</u></b>
27	Excise Tax Rate	6.50%
28	<b>Excise Tax Payable</b>	\$ <b><u>93,296</u></b>
29	Excise Tax - Deferred	214,563
30	<b>State Excise Tax Expense</b>	\$ <b><u>307,859</u></b>
	<b>Pre-tax Book Income</b>	\$ 4,736,295
31	State Excise Tax Expense	307,859
32	Schedule M Adjustments	3,300,973 D/
33	<b>FIT Taxable Income</b>	\$ <b><u>1,127,463</u></b>
34	FIT Rate	35.00%
35	<b>Federal Income Tax Payable</b>	\$ <b><u>394,612</u></b>
36	ITC Amortization	76,368 E/
37	FIT - Deferred	1,657,703
38	FAS 109 Regulatory Asset/Liability Amortization	540,112 F/
39	<b>Federal Income Tax Expense</b>	\$ <b><u>2,668,795</u></b>

A/ CAPD Exhibit, Schedule 7.

B/ CAPD Expense Workpaper E-REC-1.

C/ CAPD Exhibit, Schedule 13.

D/ Company Workpaper Exp 19.1.

E/ CAPD Rate Base Workpaper RB-19-1.00.

F/ Company Workpaper Exp 20.1.

Tennessee American Water  
Docket No. 18-XXXXX Adjusted Tax Gross Up

From Docket No.:

12-00049

Exhibit

Schedule 15

**TENNESSEE-AMERICAN WATER COMPANY**  
Revenue Conversion Factor  
For the 12 Months Ending November 30, 2013

Line No.		Amount	Balance	Portion of Gross Up
1	Operating Revenues		1.000000	
2	Add: Forfeited Discounts	0.008661 A/	0.008661	-3.30%
3	Balance		1.008661	
4	Uncollectible Ratio	0.010480 A/	0.010571	4.02%
5	Balance		0.998090	
6	State Excise Tax	0.065000 B/	0.064876	24.69%
7	Balance		0.933214	
8	Federal Income Tax	0.210000 B/	0.195975	74.58%
9	Balance		0.737239	
10	Revenue Conversion Factor (Line 1 / Line 9)		1.356411	

A/ CAPD Revenue Workpaper R-OTHER-2.00.

B/ Statutory Rates.