

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

October 25, 2019

IN RE:

TENNESSEE-AMERICAN WATER COMPANY'S
RESPONSE TO COMMISSION'S
INVESTIGATION OF IMPACTS OF FEDERAL
TAX REFORM ON THE PUBLIC UTILITY
REVENUE REQUIREMENTS

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DOCKET NO.
18-00039

ORDER APPROVING STIPULATION AND SETTLEMENT RESOLVING PHASE ONE OF
THE DOCKET

This matter came before Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones of the Tennessee Public Utility Commission ("Commission" or "TPUC") at the regularly scheduled Commission Conference held on August 12, 2019, for consideration of the *Stipulation and Settlement Agreement Regarding Phase One Issues* ("Phase One Settlement Agreement") filed by Tennessee-American Water Company ("Tennessee-American" or "Company") and the Consumer Protection and Advocate Division of the Office of the Tennessee Attorney General ("Consumer Advocate"), the parties in this matter, on July 24, 2019.

BACKGROUND

Generally, the statutory rate for federal income tax expense is included as a component of the revenue requirement when utility rates are set by the Commission. On December 22, 2017, new federal tax reductions, including those for businesses, were signed into law.¹ The primary business tax reduction impacting utilities and utility rates was the lowering of the corporate tax rate from 35% to 21%, which will significantly reduce income tax expenses that are currently recovered in

¹ Pub. L. No. 116-97, 133 Stat. 2054 (Dec. 22, 2017).

utility service rates. The lower tax rates will also impact the future tax liability for utilities that have deferred income taxes because the tax deferrals were included in ratemaking calculations at 35% when in fact the rate is now 21%; this lower tax liability is not reflected in existing rates because future recovery in previous proceedings was based upon a 35% tax rate.²

Income taxes and deferred tax liabilities are major components included in establishing rates for all corporate investor-owned utilities. Many public utility commissions, including the Tennessee Public Utility Commission, require depreciation methods to recognize depreciation benefits over the life of the asset placed into service.³ The Internal Revenue Service (“IRS”), however, allows businesses, including utilities, to recover investment at a faster rate by utilizing accelerated depreciation methods. Accelerated depreciation lowers a utility’s income for federal tax purposes in the early years when an asset is placed in service thereby reducing income taxes owed in those early years. These tax savings are then recorded as deferred income taxes and returned to ratepayers in future years to avoid utility windfall profits.⁴

Absent an adjustment, utilities’ service rates would be unreflective of a significantly lower cost. This Commission and other state commissions have in the past allowed for deferring expenses and/or revenues until such time as a final decision can be made as to: (1) the proper amounts to be recovered by the utility or returned to ratepayers and (2) the method by which amounts are recovered by utilities or returned to ratepayers.⁵

² See *In re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on the Public Utility Revenue Requirement*, Docket No. 18-00001, *Order Opening an Investigation and Requiring Deferred Accounting Treatment*, pp. 2-3 (February 6, 2018) (hereinafter *TPUC 2018 Tax Reform Order*).

³ *TPUC 2018 Tax Reform Order*, pp. 2-3 (February 6, 2018).

⁴ *Id.* at 2.

⁵ *Id.* at 2-3 (citing *In re: Application to Lower Rates and Charges for Any Refund Due to Customers of Centerpoint Energy Resources Corporation*, Oklahoma Corporation Commission, No. PUD 201700568, *Order*, (January 9, 2018); *Kentucky Industrial Utility Customers v. Kentucky Utilities Company, et al.* Kentucky Public Service Commission, Case No. 2017-00477, *Order* (December 27, 2017); *In re: Tax Reform Act of 1986*, Mass. Dept. of Public Utilities, *Order*, D.P.U. 87-21-A, (June 1, 1987); *Pennsylvania Public Utility Commission v. ALLTEL Pennsylvania, Inc.* M-860105, *Order Prescribing Temporary Rate Reductions in Response to the Tax Reform Act of 1986*, (June 10, 1987)).

On January 16, 2018, the Commission ordered Tennessee-American to immediately apply deferred accounting treatment with respect to the impact of the lowering of the federal corporate income tax (“FIT”) rate resulting from the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97 (“2017 Tax Act”).⁶ The Commission also ordered Tennessee-American to provide no later than March 31, 2018, the amounts deferred, as well as a proposal to reduce rates or otherwise make adjustments to account for the computed tax benefits. The Commission specifically required the Company to:

1. Track and accumulate monthly in a deferred account the portion of its revenue representing the difference between the cost of service approved by the Commission in its most recent rate case and the cost of service that would have resulted had the provision for federal income taxes been based on 21% rather than 35%; and
2. Calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities’ revenue requirement resulting from the 2017 Tax Act; and
3. Calculate and defer any other tax effects resulting from the 2017 Tax Act on revenue requirement that are not included in the preceding calculations.⁷

In accordance with the Commission’s order, the Company calculated and filed the annual tax savings that would have resulted had the lower tax rate been used to compute the cost of service approved by the Commission in Tennessee-American’s last rate case.⁸ The Company proposed to reflect the reduction in tax expense and benefit customers through the Company’s Capital Recovery Riders.⁹ The Consumer Advocate intervened, engaged in discovery, and filed testimony. During the course of the docket, both parties agreed to a bifurcated process into two phases, due in part to a need for additional time and data necessary for the Company to calculate reliable and normalized excess Accelerated Deferred Income Taxes (“ADIT”) balances.¹⁰ The first, Phase One, concerns the appropriate regulatory treatment of ongoing income tax expense savings as well as accrued

⁶ *TPUC 2018 Tax Reform Order*, p. 3 (February 6, 2018).

⁷ *Id.* at 4-5.

⁸ *Tennessee American Water Company’s Response to Tennessee Public Utility Commission Investigation of Impact of Federal Tax Reform on the Public Utility Revenue Requirements* (April 2, 2018).

⁹ Linda C. Bridwell, Pre-Filed Direct Testimony, p. 8 (April 2, 2018).

¹⁰ *Id.* at 8-9; John Wilde, Pre-Filed Direct Testimony, at p. 8 (April 4, 2018); David N. Dittmore, Pre-Filed Direct Testimony, (April 17, 2019).

income tax expense savings. The second, Phase Two, will address identification and the appropriate regulatory treatment of protected and unprotected excess accumulated deferred income taxes.¹¹

Subsequently, the parties filed the *Phase One Settlement Agreement* on July 24, 2019.

PHASE ONE SETTLEMENT AGREEMENT

In the *Phase One Settlement Agreement*, the parties sought to resolve the issues in Phase One of the Docket.¹² The parties agree that the Phase Two issues, regarding excess ADIT, will be addressed in this proceeding at a later date. The *Phase One Settlement Agreement* addresses the income tax expense on existing base rates which the parties term “Base Rate Tax Savings” while noting that income tax expense savings associated with the Tennessee-American’s Capital Recovery Riders has been passed through to ratepayers by means of the Company’s alternative rate mechanisms.¹³

The federal income tax expense savings results from the reduction in the FIT rate from 35% to 21%. These tax savings are categorized into two subcategories of Base Rate Tax Savings: deferred tax savings and prospective tax savings. Deferred tax savings relate to the period from January 1, 2018, the date on which the new tax rate became effective, to the date these savings are flowed back to customers. The *Phase One Settlement Agreement* identifies January 1, 2018 through August 31, 2019 as the deferred tax savings period and estimates \$3,237,169 as the deferred tax savings amount.¹⁴ The agreement between the parties provides that the deferred tax savings shall be returned to customers over a three-year period from September 2019 through August 2022, with one-third of the estimated \$3,237,169 to be returned each year. The Company shall return these tax savings by taking an offset against its Capital Recovery Riders surcharge mechanism.¹⁵

¹¹ David N. Dittmore, Pre-Filed Direct Testimony, p. 2 (April 17, 2019).

¹² *Stipulation and Settlement Agreement Regarding Phase One Issues*, p. 4 (July 24, 2019).

¹³ *Id.* at 5.

¹⁴ *Id.*

¹⁵ *Id.* at 6.

The prospective tax savings result from the ongoing, annual reduction in the Company's federal income tax expense due to application of the lower FIT rate. The *Phase One Settlement Agreement* provides that applying the recently-enacted FIT rate of 21% results in the Company's federal income tax expense revenue requirement being reduced by \$2,035,031 annually. Beginning with bills for service delivered in September 2019, the annualized base rates tax savings of \$2,035,031 will be used to offset the Company's annual Capital Recovery Riders surcharge mechanism.¹⁶

The parties further agree that the Company shall apply these offsets to its Capital Recovery Riders surcharge mechanism as a "surcharge credit." The surcharge credit will not be a separate line item on the customer's bill, but shall be included in the Capital Recovery Riders calculations as a line item. The surcharge credit will be calculated based on a percent of authorized base rates revenue.¹⁷ Further, the base rates tax savings surcharge credit shall continue until the Company's next rate case as part of the annual Capital Recovery Riders reconciliation.¹⁸

THE HEARING

The Hearing on the *Phase One Settlement Agreement* was held before the voting panel assigned to this docket on August 12, 2019, as noticed by the Commission on August 2, 2019. Participating in the Hearing were:

Tennessee-American Water Company – Melvin Malone, Esq. Butler Snow, 150 3rd Avenue South, Suite 1600, Nashville, Tennessee 37201.

Consumer Advocate Unit, Financial Division, Office of the Tennessee Attorney General and Reporter – Daniel P. Whitaker, III Esq., Post Office Box 20207, Nashville, Tennessee 37202-4015.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

The parties spoke in favor of approval of the *Phase One Settlement Agreement*. Ms. Elaine Chambers provided testimony on behalf of Tennessee-American in support of the *Phase One Settlement Agreement*. The public was invited to provide comment. No one sought recognition to speak other than the parties to the docket.

FINDINGS AND CONCLUSIONS

After the Hearing and upon consideration of the record and the *Phase One Settlement Agreement*, the panel found that the parties have come to an agreement that will ensure ratepayers receive the benefits of income tax expense savings resulting from the 2017 Tax Act in a timely and reasonable manner. Further, the panel found that the annual level of base rates tax savings is \$2,035,031, and the estimated deferred base rates tax savings accrued from January 1, 2018 through August 31, 2019 is \$3,237,169. The deferred tax savings will be returned to ratepayers over the three-year period commencing with bills rendered for service in September 2019 and continuing through August 2022. The panel also found that the tax savings will be returned to ratepayers as an offset against the Company's annual Capital Recovery Riders surcharge mechanism through application of a surcharge credit calculated based on a percent of authorized base rate revenue beginning in Docket No. 18-00120. The surcharge credit will be part of the Company's annual Capital Recovery Riders reconciliation. Therefore, the panel voted unanimously to approve the *Phase One Settlement Agreement* be approved as filed. The panel further determined the issues regarding excess accumulated deferred income taxes shall be addressed at a later date in Phase Two of these proceedings.

IT IS THEREFORE ORDERED THAT:

1. The *Stipulation and Settlement Agreement Regarding Phase One Issues* filed on July 24, 2019, and attached herein as Exhibit A, is approved.

2. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

3. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director

Exhibit A

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

IN RE:)
)
TENNESSEE AMERICAN WATER)
COMPANY'S RESPONSE TO)
COMMISSION'S INVESTIGATION OF) DOCKET NO. 18-00039
IMPACTS OF FEDERAL TAX REFORM)
ON THE PUBLIC UTILITY REVENUE)
REQUIREMENTS)

STIPULATION AND SETTLEMENT AGREEMENT REGARDING PHASE ONE ISSUES

Comes now Herbert H. Slatery III, the Tennessee Attorney General and Reporter, by and through the Financial Division, Consumer Advocate Unit (“Consumer Advocate”), and Tennessee-American Water Company (“Tennessee-American,” “TAWC” or “Company”) and respectfully submit this Stipulation and Settlement Agreement Regarding Phase One Issues (Settlement Agreement) in Docket No. 18-00039 to the Tennessee Public Utility Commission (“TPUC” or “Commission”). Subject to the TPUC's approval, the Consumer Advocate and TAWC (individually, a Party and collectively, the Parties) stipulate and agree as follows:

I. BACKGROUND

1. Tennessee-American, a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, is a public utility as defined in Tenn. Code Ann. § 65-4-101, and provides residential, commercial, industrial and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including approximately 81,000 customers, that are subject to the jurisdiction of the Commission pursuant to Chapter 4 and Chapter 5 of Title 65 of the Tennessee Code Annotated. The rates for

Tennessee American's North Georgia customers are not regulated by the Public Service Commission of the State of Georgia, but are instead regulated by this Commission.

2. Tennessee-American is a wholly-owned subsidiary of American Water Works Company, Inc., which is the largest publicly-traded water and wastewater utility company in the United States, providing water and wastewater services to fourteen (14) million people in forty-six (46) states.

3. Tennessee American's principal place of business is located at 109 Wiehl Street, Chattanooga, Tennessee 37406.

4. On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (TCJA).¹ The primary business tax reduction affecting utilities and utility rates was the lowering of the corporate tax rate from 35% to 21%, which reduced income tax expenses that are currently recovered in utility service rates. The lower tax rates also affected the future tax liability for utilities that have deferred income taxes because the tax deferrals were included in ratemaking calculations at 35% when in fact the rate is now 21%. This lower tax liability is not reflected in existing base rates because future recovery in previous proceedings was based upon a 35% tax rate.²

5. On January 16, 2018, the Commission opened an investigation into the impacts of the TCJA. On February 6, 2018, the Commission entered an Order in that proceeding directing the five (5) largest utilities under the Commission's jurisdiction, including Tennessee-American, to do the following:

¹ Pub. L. No. 116-97, 133 Stat. 2054 (Dec. 22, 2017).

² Order Opening an Investigation and Requiring Deferred Accounting Treatment, *In re: Tennessee Public Utility Commission Investigation of Impacts of Federal Tax Reform on the Public Utility Revenue Requirements*, TPUC Docket No. 18-00001, at 2 (Feb. 6, 2018) (hereinafter the "*Investigation Order*").

- a. Track and accumulate monthly in a deferred account the portion of its revenue representing the difference between the cost of service approved by the Commission in its most recent rate case and the cost of service that would have resulted had the provision for federal income taxes been based on 21% rather than 35%; and
- b. Calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities' revenue requirement resulting from the 2017 Tax Act; and
- c. Calculate and defer any other tax effects resulting from the 2017 Tax Act on revenue requirement that are not included in the preceding calculations.³

The *Investigation Order* further directed TAWC and other large utilities to submit these calculations together with proposals to reduce rates or make other ratemaking adjustments to account for the tax benefits resulting from the TCJA.⁴

6. On April 4, 2018, TAWC filed its response to the *Investigation Order*, which consisted of the Direct Testimony of Linda C. Bridwell, the Direct Testimony of John R. Wilde, and workpapers showing the Company's calculations as directed by the Commission. In response to this filing, the Commission opened the above-captioned Docket, TPUC Docket No. 18-00039, separate from the original docket, TPUC Docket No. 18-00001, and separate from the other large utilities named in the *Investigation Order*.

7. On April 24, 2018, the Consumer Advocate filed a petition to intervene in this Docket.

8. On May 18, 2018, the Commission entered an Order Convening a Contested Case Proceeding and Appointing a Hearing Officer in this Docket.

³ *Investigation Order* at 5-6.

⁴ *Id.* at 6.

9. On June 11, 2018, the Commission granted the Petition to Intervene filed by the Consumer Advocate.

10. Upon agreement of the Parties, the issues in this matter have been bifurcated into two parts or phases, with issues relating to income tax expense savings to be addressed in Phase One, and issues relating to the excess accumulated deferred income taxes to be addressed in Phase Two.

11. On March 14, 2019, the Hearing Officer entered an Order Establishing Procedural Schedule for Phase One of the bifurcated proceedings.

12. On April 1, 2019, TAWC filed the Direct Testimony of Elaine K. Chambers Adopting the Testimony of Linda C. Bridwell.

13. On April 17, 2019, the Consumer Advocate filed the Testimony of David N. Dittmore.

14. On June 10, 2019, the Hearing Officer entered an Order Establishing Amended Procedural Schedule. Pursuant to the amended procedural schedule, TAWC's Rebuttal Testimony is due on June 28, 2019, and the target hearing date for this matter is August 12, 2019.

15. The TCJA's reduction of the corporate federal income tax rate has reduced the Company's annualized federal income tax expense in base rates by \$2,035,031.⁵ In addition, the change in tax rate has reduced the revenue requirement for the Company's qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider (collectively the "Capital Recovery Riders").

⁵ *Direct Testimony of Elaine K. Chambers*, p. 5, ll. 16-19, TPUC Docket No. 18-00039; and *TAWC Response to Consumer Advocate Request 1-14*, TPUC Docket No. 18-00039 (Mar. 13, 2019).

16. The purpose of this matter is to address the income tax expense impacts resulting from the TCJA on existing base rates (the “Base Rate Tax Savings”). The income tax expense savings associated with the Capital Recovery Riders have been passed through to ratepayers by means of those mechanisms.⁶

17. The amount of Base Rates Tax Savings accrued from January 1, 2018 through August 31, 2019 is estimated to be \$3,237,169.⁷

18. Prior to entering into this Settlement Agreement, the Parties submitted pre-filed testimony detailing their respective positions with respect to the Phase One issues, engaged in extensive discovery and have undertaken discussions in a good faith attempt to resolve all issues in Phase One of this bifurcated case. As a result of the information obtained during discovery and the discussions between the Parties, and for purposes of avoiding further litigation and resolving Phase One of this matter on acceptable terms, the Parties have reached this Settlement Agreement, subject to the TPUC’s approval.

II. SETTLEMENT TERMS

19. Subject to the TPUC’s approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below:

⁶See *Supplemental Testimony of TAWC Witness Linda C. Bridwell*, p. 2, ll. 18-23, In Re: 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, TPUC 17-00124 (Feb. 7, 2018). See also *Rebuttal Testimony of TAWC Witness Linda C. Bridwell*, p. 11, ll. 15-21 (Feb. 28, 2018); and *Order Approving Petition*, TPUC Docket No. 17-00124 (June 29, 2018).

⁷ See *TAWC Response to Consumer Advocate Data Request No. 2-03*, TPUC Docket No. 18-00039, at TAWC_CADDR2_NUM003_Attachment. The referenced figure has been updated here by TAWC. As this amount has been updated in relation to this Settlement Agreement, TAWC will timely supplement its discovery to include this updated estimate.

Surcharge Credit for Base Rates Tax Savings

20. Starting with bills for service delivered in September, 2019, TAWC shall offset its annual Capital Recovery Riders surcharge mechanism by the sum of the annual level of Base Rates Tax Savings (\$2,035,031). Additionally, for a three-year period (i.e., September 2019 – August 2022), one-third of the outstanding balance of deferred Base Rates Tax Savings accrued from January 1, 2018, through August 31, 2019 (that is, one-third of the estimated \$3,237,169) shall also be offset against TAWC's annual Capital Recovery Riders surcharge mechanism.

21. In the event the TAWC Capital Recovery Rider terminates prior to the full amortization of the outstanding balance of deferred Base Rate Tax Savings, which shall be no later than August, 2022, the credit shall continue through a surcharge credit on customer bills until such time as the outstanding balance has been fully returned.

22. TAWC shall apply the offset through a surcharge credit. The surcharge credit shall not be a separate line item on the bill but shall be included in the Capital Recovery Riders line item. The surcharge credit will be calculated based on a percent of authorized base rate revenue.

23. TAWC shall insert a notice in its bill that informs customers that the Capital Recovery Riders are being offset by the Base Rates Tax Savings from the TCJA. In the spirit of cooperation and goodwill the Company agrees to provide the Consumer Advocate with the contents and language of the proposed customer notice insert at least fourteen (14) days before such insert is issued and to provide the Consumer Advocate with an opportunity to submit comments regarding such proposed customer notice insert to the Company.

24. The Base Rates Tax Savings surcharge credit shall continue to be applied to the Capital Recovery Riders surcharge until the Company's next base rate case.

25. Base Rates Tax Savings surcharge credit will be part of the annual Capital Recovery Riders reconciliation, with 2019 being treated on a pro rata basis for September through December only, to reflect that deferral took place through August 2019.

General Terms

26. All discovery, pre-filed testimony and exhibits of the Parties will be introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses. If, however, questions should be asked by any member of the public, Commissioners, or Commission Staff, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits.

27. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the TPUC and in any hearing, proposed order, or brief conducted or filed in this matter. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. None of the Parties to this Settlement Agreement shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle.

28. This Settlement Agreement, which is the product of negotiations and substantial communication and compromise between the Parties, is just and reasonable and in the public interest.

29. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to enforcement and implementation of the provisions hereof.

30. The Parties agree and request the TPUC to order that the settlement of any issue pursuant to this Settlement Agreement shall not be cited by the Parties or any other entity as binding precedent in any other proceeding before the TPUC, or any court, state or federal, except to the limited extent necessary to implement the provisions hereof and for the limited purpose of enforcement should it become necessary.

31. The terms of this Settlement Agreement have resulted from negotiations between the signatories and the terms hereof are interdependent. The Parties jointly recommend that the TPUC issue an order adopting this Settlement Agreement in its entirety without modification.

32. In order to facilitate the execution of this Settlement Agreement and to achieve one of the purposes of this agreement — avoiding the need for further litigation and expenses — TAWC will not file rebuttal testimony that might have otherwise been filed. In the event, however, that any Party and/or the Commission require that hearings go forward, then the Parties hereby agree that all Parties should be permitted to move the Commission for the establishment of a procedural schedule that would permit the Parties to submit evidence and testimony that has not been submitted as a result of reaching this Settlement Agreement.

33. If the TPUC does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the TPUC does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by the TPUC; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the TPUC within the same time frame. Should this Settlement Agreement terminate, it would be

considered void and have no binding or precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

34. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by the TPUC in whole or in part.

35. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this matter or any other docket.

36. Except as expressly noted herein, the acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of TAWC's acts or practices.

37. The Consumer Advocate's agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by TAWC to TPUC and the Consumer Advocate throughout the course of this Docket, which information was relied upon by the Consumer Advocate in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

38. This Settlement Agreement shall be governed by and construed under the laws of the State of Tennessee, notwithstanding conflicts of laws provisions.

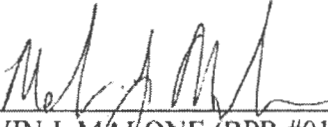
39. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parties and that any and all oral statements, representations or agreements made prior to the execution of this Settlement Agreement shall be null and void.

40. The signatories to this Settlement Agreement warrant that they have informed, advised and otherwise consulted with the Parties for whom they sign regarding the contents and significance of this Settlement Agreement, and, based on those communications, the signatories represent that they are authorized to execute this Settlement Agreement on behalf of the Parties.

The foregoing is agreed and stipulated to this 24th day of July, 2019.

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 18-00039
Tennessee American Water Company, Inc. Signature Page

TENNESSEE AMERICAN WATER COMPANY, INC.

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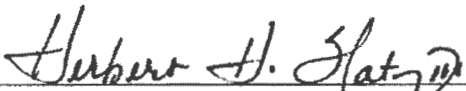
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Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 18-00039
Attorney General's Signature Page

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

By:

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