

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF TENNESSEE AMERICAN)	
WATER COMPANY REGARDING THE)	
2019 INVESTMENT AND RELATED)	
EXPENSES UNDER THE QUALIFIED)	Docket No. 18-00120
INFRASTRUCTURE INVESTMENT)	
PROGRAM RIDER, THE ECONOMIC)	
DEVELOPMENT INVESTMENT RIDER,)	
AND THE SAFETY AND ENVIRONMENTAL)	
COMPLIANCE RIDER)	

**CONSUMER ADVOCATE'S FIRST DISCOVERY REQUEST
TO TENNESSEE AMERICAN WATER COMPANY**

To: Tennessee American Water Company
C/O Melvin J. Malone
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

Elaine K. Chambers
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Elaine.K.Chambers@amwater.com

This First Discovery Request is hereby served upon Tennessee American Water Company (Company), pursuant to Rules 26, 33, 34, and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. The Consumer Advocate Unit in the Financial Division of the Attorney General's Office (Consumer Advocate) requests that full and complete responses be provided pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Financial Division, Consumer

Advocate Unit, 315 Deaderick Street, 20th Floor, Nashville, Tennessee 37243, c/o Daniel P. Whitaker III, on or before 2:00 p.m. (CDT), March 15, 2019.

PRELIMINARY MATTERS AND DEFINITIONS

1. **Continuing Request.** These discovery requests are to be considered continuing in nature and are to be supplemented from time to time as information is received by the Producing Party and any of its affiliates which would make a prior response inaccurate, incomplete, or incorrect.
2. **Clear References.** To the extent that the data or information requested is incorporated or contained in a document, identify the document including page/line number if applicable.
3. **Format of Responses.** Provide all responses in the format in which they were created or maintained, for example, Microsoft Word or Microsoft Excel format with all cells and formulas intact and in working order. If a document (including without limitation a financial or other spreadsheet or work paper) is not created or maintained in Microsoft Excel format, convert the document to Microsoft Excel format or provide the document in a format that enables or permits functionality like or similar to Microsoft Excel (including without limitation the functionality of working cells and formulas), or provide the software program(s) that will enable the Consumer Advocate to analyze the data and information in the same manner as would be enabled or permitted if the document were provided in Microsoft Excel format.
4. **Objections.** If any objections to this discovery are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege or immunity asserted. If you claim a document is privileged, identify the document and state the basis for the privilege or immunity asserted. If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

5. The singular includes the plural, and vice-versa, where appropriate.

6. **Definitions.** As used in this Request:

- (a) “You,” “Your,” “Company,” “Tennessee American,” or “TAWC” shall mean Tennessee American Water Company and all employees, agents, attorneys, representatives or any other person acting or purporting to act on its behalf.
- (b) “Affiliate” shall mean any entity who, directly or indirectly, is in control of, is controlled by, or is under common control with the Company. For greater clarification, “control” is the ownership of 20% or more of the shares of stock entitled to vote for the election of directors in the case of a corporation, or 20% or more of the equity interest in the case of any other type of entity, or status as a director or officer of a corporation or limited liability company, or status as a partner of a partnership, or status as an owner of a sole proprietorship, or any other arrangement whereby a person has the power to choose, direct, or manage the board of directors or equivalent governing body, officers, managers, employees, proxies, or agents of another person. In addition, the term “Affiliate” shall mean any entity that directly or indirectly provides management or operational services to the Company or any affiliate (as defined in the preceding sentence) of the Company, or to which the Company provides management or operational services. Further, the payment of money to the Company or receipt by the Company of money from an entity with which the Company has any relationship, other than such payment or receipt, shall include the payor or recipient of such money as an “Affiliate”.
- (c) “Communication” shall mean any transmission of information by oral, graphic, written, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, meetings and personal conversations, or otherwise.
- (d) “Document” shall have the broadest possible meaning under applicable law. “Document” shall mean any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded medium in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, letter, note, report, electronic mail, memorandum (including memoranda, electronic mail, report, or note of a meeting or communication), work paper, spreadsheet, photograph, videotape, audio tape, computer disk or record, or any other data compilation in any form without limitation, which is in your possession, custody or control. If any such document was, but no longer is, in your possession, custody or control, state what disposition was made of the document and when it was made?
- (e) “Person” shall mean any natural person, corporation, firm, company, proprietorship, partnership, business, unincorporated association, or other business or legal entity of any sort whatsoever.

(f) “Identify” with respect to:

- i. Any natural person, means to state the full name, telephone number, email address and the current or last known business address of the person (if no business address or email address is available provide any address known to you) and that person’s relationship, whether business, commercial, professional, or personal with you;
- ii. Any legal person, business entity or association, means to state the full name, the name of your contact person with the entity, all trade name(s), doing business as name(s), telephone number(s), email address(es), and current or last known business address of such person or entity (if no business address is available provide any address known to you);
- iii. Any document, means to state the type of document (e.g., letter), the title, identify the author, the subject matter, the date the document bears and the date it was written; and
- iv. Any oral communication, means to state the date when and the place where it was made, identify the person who made it, identify the person or persons who were present or who heard it, and the substance of it.

(g) “And” and “or” shall be construed conjunctively or disjunctively as necessary to make the discovery request inclusive rather than exclusive.

(h) “Including” shall be construed to mean including but not limited to.

FIRST (INFORMAL) DISCOVERY REQUESTS

- 1-1. Regarding the Testimony of Ms. Chambers page 3, lines 4 – 10, which indicates that the filing was prepared based upon information contained in the books and records of Tennessee American Water, identify all documents and information relied upon in the filing, if any, that came either directly or indirectly from the books and records of regulated affiliates of Tennessee American Water Company (TAWC).

RESPONSE:

- 1-2. Confirm that the \$4,938,170 estimated NOLC as of 12/31/17 reflects the cumulative Net Operating Loss Carryover (NOLC) balance over time and is not limited the NOLC exclusively incurred in calendar year 2017.

RESPONSE:

- 1-3. Provide all supporting workpapers which reconcile the NOLC of \$4,938,170 with the \$5,725,709 referenced on page 4, lines 12 – 14 of Ms. Chambers' Testimony. This response should include all support for the determination of the NOLC of \$5,725,709.

RESPONSE:

- 1-4. Identify the portion of the \$5,725,709 NOLC which was generated exclusively from 2017 operating results and tax deductions.

RESPONSE:

- 1-5. Provide the TAWC balance of its Net Operating Loss (NOL) as of 12/31/18. Provide all supporting documentation for this balance update from the previously determined NOL balance of \$4,938,170.

RESPONSE:

- 1-6. Provide all supporting workpapers which reconcile the NOLC of \$5,725,709 with the \$4,117,546 balance used in the filing.

RESPONSE:

- 1-7. Provide all rationale for the exclusion of Bonus Depreciation and the Repair Deduction for the periods 2014 – 2016 in the context of both the decision reflected in the Commission's

Conference held on December 17, 2018¹ and the evidence provided by all parties in TPUC Docket No. 18-00022.

RESPONSE:

- 1-8. Confirm that the Bonus Depreciation and Repair Deduction for the period 2014 – 2016 provided in response to Consumer Advocate Request No. 1-3 in TPUC Docket No. 18-00022 remains the reasonable identification of such deductions for that period. If this cannot be confirmed, identify the appropriate Bonus Depreciation and Repair Deductions for that time frame and provide a comprehensive explanation justifying the change with a corresponding reconciliation and all supporting workpapers for the revised amounts.

RESPONSE:

- 1-9. Confirm the following:
- (a) The Accumulated Deferred Income Tax (ADIT) balance included in the filing reflects no deductions for Bonus Depreciation and the Repair Deduction for 2014 – 2016;
 - (b) The \$4,938,170 NOLC adopted by the Commission in Docket 18-00022 reflects the NOL inclusive of Bonus Depreciation and the Repair Deduction for periods through 12/31/17, including the years 2014-2016;
 - (c) Confirm that TAWC (or its parent company) incorporated Bonus Depreciation deductions and Repair Deductions on its tax returns associated with qualifying Capital Rider investment during the period 2014 – 2016;
 - (d) Provide a comprehensive explanation supporting the rationale for inclusion of the cumulative NOLC balance associated with the Capital Rider calculation in light of the fact that existing TAWC base rates includes a value for NOLC in Rate Base; and
 - (e) Provide a comprehensive explanation supporting the rationale for inclusion of the estimated total book NOLC, given that the related ADIT balance does not reflect those deductions (Bonus Depreciation and the Repair Deduction) for the years 2014 – 2016.

¹ Transcript of Commission Conference on December 17, 2018 at pg. 28, lines, 15-20 (TPUC Docket No. 18-00022). For convenience, a copy of the pertinent pages of the Transcript are provided as Attachment 1.

RESPONSE:

- 1-10. Confirm that the references to 'Annual' in Table 1 of Ms. Chambers' Testimony (page 9) should instead be referencing monthly changes.

RESPONSE:

- 1-11. Provide all underling support for the 3.191% rate used to compute Revenue Taxes.

RESPONSE:

- 1-12. Refer to QIIP Exhibit 2, page 1 of 4. Provide the underlying calculations for the Accumulated Depreciation value of \$753,387 found associated with Account 304300 Structures and Improvement – Treatment. In addition to the calculations, provide a listing of all assumptions relied upon within the calculation.

RESPONSE:

- 1-13. Identify the Allowance of Funds Used During Construction (AFUDC) rate incorporated within the budgeted capital expenditure costs and provide a reference to all authority relied upon in the adoption of the rate.

RESPONSE:

- 1-14. Refer to the Estimated ADIT calculation for each rider mechanism found on pages 75 – 77 of the filing. Provide a comprehensive explanation supporting the estimates for the Repair Deductions found within these pages for the years 2018 and 2019. Provide all supporting documentation for the use of these estimates.

RESPONSE:

- 1-15. Provide the TAWC water loss ratio annually for the period 2015 – 2018, along with the supporting calculations.

RESPONSE:

- 1-16. To the extent TAWC defines ‘water loss’ differently than the ratio of non-revenue water, provide a thorough definition of both terms.

RESPONSE:

- 1-17. For purposes of reporting sales volumes to the Commission, indicate whether such sales volumes include any accrued volumes for sales that have yet to be metered.

RESPONSE:

- 1-18. To the extent sales are defined differently for TPUC monthly reporting purposes reporting compared with those reported in reconciliation filings, provide a comprehensive explanation underlying the two definitions of sales.

RESPONSE:

- 1-19. Confirm that capital expenditures made that are designed to reduce ‘lost water’ (or non-revenue water consumption) are eligible for Capital Rider recovery.

RESPONSE:

- 1-20. Provide the amount of Operating and Maintenance savings which would result from a 1% reduction in non-revenue water consumption. Provide the underlying support for this response.

RESPONSE:

- 1-21. Provide the amount of 2019 budgeted capital expenditures which are designed to reduce the ratio of lost water.

RESPONSE:

- 1-22. Provide the amount of governmental reimbursements received in 2018 associated with qualifying Capital Rider projects.

RESPONSE:

- 1-23. Provide the amount of budgeted governmental reimbursements (characterized as a Contribution per Response No. 3-21 in TPUC Docket No. 18-00022) incorporated into the present filing.

RESPONSE:

- 1-24. Confirm that the responses to the following Consumer Advocate Discovery Requests provided in TPUC Docket No. 18-00022 are still accurate and no new information has arisen which requires that the responses be updated. To the extent any portion of the response needs updating, provide the revised corrected data along with a full explanation for the reason for the modified response in the following Consumer Advocate Requests in TPUC Docket No. 18-00022:

- (a) 1-2
- (b) 1-3
- (c) 3-2
- (d) 3-13
- (e) 3-14
- (f) 3-15
- (g) 3-16
- (h) 3-17
- (i) 3-18
- (j) 4-1

- (k) 4-2
- (l) 4-3

RESPONSE:

- 1-25. Provide the amount of Purchased Power and Water expense incurred for the twelve-month period ending December 31, 2018, corresponding to those amounts subject to the non-revenue water exclusion ratio for the twelve-month period ending November 30, 2018.

RESPONSE:

- 1-26. Provide the underlying ratio and calculation supporting the expenses associated with excess non-revenue water costs for the twelve-month period ending December 31, 2018, which relates to the corresponding calculation contained in the Production Costs and Other Pass Throughs (PCOP) Rider submittal for the twelve-month period ending November 2018 in TPUC Docket No. 19-00010.

RESPONSE:

- 1-27. Provide the amount of incentive compensation for the calendar year 2018 which is appropriately excluded for purposes of determining the TAWC ROE results, consistent with the Commission's verbal decision in TPUC Docket No. 18-00022, as recorded in the Transcript of the Commission Conference on December 17, 2018.² Provide support for the underlying calculation of excluded amounts.

RESPONSE:

² Transcript of Commission Conference on December 17, 2018 at pg. 28, lines 21 – pg. 29, line 9 (TPUC Docket No. 18-00022). For convenience, a copy of the pertinent pages of the Transcript are provided as Attachment 1.

- 1-28. Provide a comprehensive reconciliation of the identified Rate Base provided in the December 2018 Monthly report of \$172,331,252 with the Average Rate Base of \$173,516,647 provided in the Workpaper Earnings Test provided in Docket No. 19-00031.

RESPONSE:

- 1-29. Exhibit A reflects two computations of the 2018 TAWC Return on Equity (ROE) indicating calculated ROEs of 14.24% (Scenario 1) or 11.22% (Scenario 2). The ROE of 14.24% identified in Scenario 1 relies upon the equity ratio adopted in the most recent TAWC rate case and excludes adjustments necessary to remove costs associated with disallowed incentive compensation and excess water loss. The ROE of 11.22%, identified in Scenario 2 relies upon the equity ratio of TAWC's parent company, American Water Company (AWC), as of December 31, 2018, and excludes adjustments necessary to remove costs associated with disallowed incentive compensation and excess water loss. Exhibit B identifies the TAWC Net Income as provided by the Company in its December 2018 Monthly Report. Exhibit C provides the Rate Base as identified by the Company and provided in its December 2018 Monthly Report provided to the Commission. Exhibit D is the pertinent page from AWC's Consolidated Balance Sheet supplied to the Securities and Exchange Commission in its 2018 10K filing, specifically identifying its corporate capital structure. These ROEs would be higher if removal of incentive compensation and excess water costs were made consistent with established regulatory principles. Review the calculations in Exhibit A and provide a narrative explanation with supporting workpapers for the following:

- (a) Confirm that the return on equity is accurately calculated.

- (b) If you disagree with the computations in Exhibit A, provide a comprehensive explanation of why the calculations are not accurate (notwithstanding the incentive compensation and excess water loss exclusions) and provide the TAWC version of its 2018 ROE calculation.

RESPONSE:

RESPECTFULLY SUBMITTED,



DANIEL P. WHITAKER III (BPR No. 035410)

Assistant Attorney General

Office of the Tennessee Attorney General

Financial Division, Consumer Advocate Unit

P.O. Box 20207

Nashville, Tennessee 37202-0207

Telephone: (615) 741-1671

Facsimile: (615) 532-2910

Email: Daniel.Whitaker@ag.tn.gov

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:

Melvin J. Malone
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com

Elaine K. Chambers
Director of Rates and Regulation – Tennessee and Kentucky
Kentucky American Water Company
2300 Richmond Road
Lexington, KY 40502
Elaine.K.Chambers@amwater.com

This the 6th day of March, 2019.



DANIEL P. WHITAKER III

In The Matter Of:
Tennessee Public Utility Commission

Transcript of Commission Conference
December 17, 2018

nashvillecourtreporters

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Original File 2018-12-17 Commission Conference.txt

Min-U-Script® with Word Index

Transcript of Commission Conference - December 17, 2018

28

1 questions?

2 (No response.)

3 CHAIR MORRISON: I'm ready to
4 deliberate. I have a motion. I move approval of the
5 settlement agreement submitted by the Gas Pipeline
6 Safety Division and Chattanooga Gas Company.

7 COMMISSIONER JONES: Second. Vote aye.

8 COMMISSIONER HILLIARD: Vote aye.

9 MS. DILLON: Next we have Section 11,
10 Commissioners Hill, Morrison and Jones.
11 Docket No. 18-00022. Tennessee American Water Company.
12 Petition of Tennessee American Water Company in support
13 of the calculation of the 2018 Capital Recovery Riders
14 reconciliations. Deliberations.

15 CHAIR MORRISON: Based upon the
16 evidentiary record in this proceeding, I find that
17 Tennessee American should file revised calculations to
18 include bonus depreciation and the repairs deduction,
19 while also recognizing the net operating loss
20 carryforward of \$4,938,170.

21 Further, consistent with the
22 methodologies approved in Docket No. 13-00130, I find
23 that the company has properly accounted for incentive
24 pay compensation within its earnings test.

25 Prospectively, however, I find that

Transcript of Commission Conference - December 17, 2018

29

1 excluding 100 percent of incentive pay for Tennessee
2 American's Services Support Company is in the public
3 interest and also consistent with the Commission's
4 longstanding policy regarding incentive pay exclusion.

5 I therefore direct Tennessee American
6 to exclude 100 percent of incentive pay for Tennessee
7 American's Services Support Company in subsequent
8 earnings tests submitted with reconciliation fillings.
9 I so move.

10 VICE CHAIR HILL: Second. Vote aye.

11 COMMISSIONER JONES: Vote aye.

12 MS. DILLON: Next we have Docket No.
13 18-00098. Old Hickory Water, LLC. Petition of
14 Old Hickory Water, LLC, to post alternative financial
15 security. Hear and consider petition.

16 CHAIR MORRISON: I'll call this hearing
17 to order and state for the record that this matter was
18 duly noticed for hearing on December 7, 2018, and is
19 being conducted in accordance with the Uniform
20 Administrative Procedures Act.

21 I see that the company has come
22 forward. Please identify yourself for the record.

23 MR. BALTIMORE: I'm Don Baltimore,
24 general counsel for the petitioner.

25 MR. NOAH: My name is Justin Noah, I'm

Tennessee American Water Company
Calculation of 2018 Return on Equity

Sources:

TAWC December 2018 Monthly Report
 File submitted in Docket 18-00120, "TAW_SCH1_2019_Revised, "WKP PTR&CF" Tab
 American Water Company 2018 10K

Line No	Item	Scenario 1	Scenario 2
1	Net Income (December, 2018 Report, Year to Date Results)	\$ 8,438,706	\$ 8,438,706
2	Rate Base - Per TAWC December 2018 Monthly Report	\$ 172,331,252	\$ 172,331,252
3	Applicable Equity Ratio	34.38%	43.63%
4	Calculated Equity Investment (Line 2 * 3)	\$ 59,247,484	\$ 75,189,766
5	Return on Equity (Line 1 / 4)	14.24%	11.22%

Scenario 1 = Using the Equity Ratio adopted by TPUC in the most recent TAWC Rate Case

Parent Company Common Equity	34.38%	Tab WKP PTR&CF Schedule 1 File - Revised Filed by TAWC
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Scenario 2 = Using the Equity Ratio in the Americal Water Company 2018 10K.
 (Millions)

Long-Term Debt - Including Preferred	7,576	56.37%
Equity	5,864	43.63%
	13,440	100%

Note: The ROE results are overstated in that reductions to O&M Expenses for the elimination of incentive compensation and excessive water losses have not been made.

**MONTHLY REPORT OF REVENUES, EXPENSES AND INVESTMENTS
WATER COMPANIES**

EXHIBIT B

PSC--3.06

Company Name: Tennessee-American Water Company
Month of Report: December 2018

(a)	Amount for this Month		Year-To-Date		12 Months-To-Date	
	This Year (b)	Last Year (c)	This Year (d)	Last Year (e)	This Year (f)	Last Year (g)
Operating Revenues						
1. Residential Sales.....	1,816,978	1,583,003	23,652,117	22,870,557	23,652,117	22,870,557
2. Commercial Sales.....	1,355,065	1,322,191	17,647,691	17,283,542	17,647,691	17,283,542
3. Industrial Sales.....	341,062	365,520	4,429,316	4,424,636	4,429,316	4,424,636
4. Other Sales.....	500,645	624,540	7,038,384	8,716,545	7,038,384	8,716,545
5. Total Operating Revenues (Item 1-4).....	4,013,750	3,895,254	52,767,508	53,295,280	52,767,508	53,295,280
Operating Expenses						
6. Source of Supply Expense.....	11,235	8,865	137,591	252,593	137,591	252,593
7. Pumping and Water Treatment Expense.....	558,312	422,207	5,853,332	5,638,891	5,853,332	5,638,891
8. Transmission and Distribution-Operation.....	78,434	53,611	660,369	609,346	660,369	609,346
9. Transmission and Distribution-Maintenance.....	175,371	118,516	1,591,006	1,557,046	1,591,006	1,557,046
10. Customer Accounts and Sales Expense.....	93,860	148,572	1,783,749	1,997,229	1,783,749	1,997,229
11. Administrative and General Expense.....	1,562,017	933,716	14,106,024	13,080,910	14,106,024	13,080,910
12. Depreciation and Amortization.....	709,032	672,068	8,371,703	7,918,361	8,371,703	7,918,361
13. Taxes Other Than Income Taxes.....	446,330	774,970	5,072,012	5,646,129	5,072,012	5,646,129
14. Income Taxes.....	(114,728)	59,983	2,936,102	5,095,580	2,936,102	5,095,580
15. Total Operating Expenses (Item 6-14).....	3,519,863	3,192,507	40,511,888	41,796,085	40,511,888	41,796,085
16. Net Operating Income (Item 5 less 15).....	493,887	702,747	12,255,620	11,499,195	12,255,620	11,499,195
Gain/Loss on Sale	0	0				
17. Other Income.....	5,313	(9,395)	(14,033)	(36,115)	(14,033)	(36,115)
18. Miscellaneous Income Deductions.....	(2,480)	994	20,851	7,049	20,851	7,049
19. Interest Charges.....	304,698	293,793	3,782,030	3,682,860	3,782,030	3,682,860
20. Net Income.....	196,982	417,354	8,438,706	7,773,171	8,438,706	7,773,171
	Balance at End of Month This Year (h)	Balance at End of Month Last Year (i)	Aver. for 12 Mo.-To-Date This Year (j)	Aver. for 12 Mo.-To-Date Last Year (k)		
21. Utility Plant In Service.....(1).....	323,576,583	312,344,667	317,261,076	303,901,988		
22. Construction Work in Progress.....	11,539,185	4,065,376	6,971,088	3,894,892		
23. Utility Plant Acquisition Adjustment.....	0	0	0	0		
24. Property Held for Future Use.....	0	0	0	0		
25. Accumulated Depreciation and Amort.(1).....	90,820,060	85,718,280	88,763,784	85,202,267		
26. Materials and Supplies.....	893,746	914,411	904,373	911,789		
27. Unamortized Investment Credit.....	276,216	352,584	311,218	387,586		
28. Deferred Income Tax.....	43,297,331	28,825,333	47,772,159	43,738,955		
29. Contributions In Aid of Construction.....	17,797,628	17,119,159	17,629,386	15,923,370		
30. Customer Advances for Construction.....	3,449,777	3,281,859	3,327,217	3,738,021		
31. Preferred Stock.....	0	0	0	0		
32. Common Stock.....	13,754,235	13,754,235	13,754,235	13,754,235		
33. Premium on Capital Stock and Other Capital.....	41,572,642	38,500,589	38,781,335	37,134,505		
34. Retained Earnings.....	35,194,107	33,281,593	35,481,720	32,840,272		
35. Long Term Debt.....(1).....	77,687,513	72,399,093	65,081,306	72,392,526		

(1) Includes Capital Lease

SUPPLEMENTAL FINANCIAL DATA TO PSC-3.06

FOR THE MONTH ENDED DECEMBER 2018

Line #		Average Monthly Balance	Average for 12 MTD
1	Additions:		
2	Plant in Service	\$323,576,583	\$317,261,076
3	Plant Under Construction	11,539,185	6,971,088
4	Property Held For Future Use	0	0
5	Materials and Supplies	893,746	904,373
6	Other Additions:		
7	Leased Utility Plant	0	0
8	Unamortized Painting - net	0	0
9	Working Capital C/	3,409,884	3,409,884
10			
11	Total Additions	339,419,398	328,546,421
12			
13			
14	Deductions:		
15	Accumulated Depreciaton and Amortization	90,820,060	88,763,784
16	Accumulated Deferred Income Taxes	43,297,331	47,772,159
17	Unamortized Investment Credit - Pre 1971	3,679	5,098
18	Customer Deposits	0	0
19	Other Deductions:		
20	Contributions in Aid of Construction	17,797,628	17,629,386
21	Customer Advances for Construction	3,449,777	3,327,217
22	All Other A/	(1,111,521)	(1,282,475)
23			
24			
25			
26	Total Deductions	154,256,954	156,215,169
27			
28	Rate Base	\$185,162,444	\$172,331,252
29			
30	Net Operating Income	\$493,887	\$12,255,620
31	Adjustments to NOI		
32	Allowance for funds used during construction	28,291	334,575
33	Adjustment to reflect effective federal		
34	Income tax rate (debt assigned to parent)	21,184	236,589
35	Interest on customer deposits	0	0
36			
37			
38			
39	Adjusted Net Operating Income	\$543,362	\$12,826,784
40			
41			
42	Rate of return B/	3.52%	7.44%

A/ All Other

Acquisition adjustment	\$0	\$0
Accounts payable applicable to CWIP	268,625	53,825
Unpaid for materials and supplies	38,256	50,084
Taxes on CIAC-DEF, FIT & SIT	(1,418,402)	(1,386,384)
	(\$1,111,521)	(\$1,282,475)

B/ Rate of return - Monthly (L39 / L28) x 12

C/ Per order

Cash working capital Lead Lag Study	\$591,674
Incidental collection	(116,192)
Average cash	0
Other components	2,934,402
Working cash	\$3,409,884

Table of Contents**American Water Works Company, Inc. and Subsidiary Companies****Consolidated Balance Sheets**

(In millions, except share and per share data)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock (\$0.01 par value, 500,000,000 shares authorized, 185,367,158 and 182,508,564 shares issued, respectively)	\$ 2	\$ 2
Paid-in-capital	6,657	6,432
Accumulated deficit	(464)	(723)
Accumulated other comprehensive loss	(34)	(79)
Treasury stock, at cost (4,683,156 and 4,064,010 shares, respectively)	(297)	(247)
Total common shareholders' equity	5,864	5,385
Long-term debt	7,569	6,490
Redeemable preferred stock at redemption value	7	8
Total long-term debt	7,576	6,498
Total capitalization	13,440	11,883
Current liabilities:		
Short-term debt	964	905
Current portion of long-term debt	71	322
Accounts payable	175	195
Accrued liabilities	556	630
Taxes accrued	45	33
Interest accrued	87	73
Other	196	167
Total current liabilities	2,094	2,325
Regulatory and other long-term liabilities:		
Advances for construction	252	271
Deferred income taxes, net	1,718	1,551
Deferred investment tax credits	22	22
Regulatory liabilities	1,907	1,664
Accrued pension expense	390	384
Accrued postretirement benefit expense	—	40
Other	78	66
Total regulatory and other long-term liabilities	4,367	3,998
Contributions in aid of construction	1,322	1,276
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	\$ 21,223	\$ 19,482

The accompanying notes are an integral part of these Consolidated Financial Statements.