

April 25, 2019

**Electronically Filed in TPUC Docket Room on April 25, 2019 at 7:17 a.m.**

**VIA ELECTRONIC FILING**

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Hon. Robin L. Morrison, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utilities Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

**RE: *Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up to \$50,000,000 to Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-4-109, Docket No. 19-00041***


Dear Chairman Morrison:

Attached please find *Tennessee-American Water Company's Response to the TPUC's First Data Request* in the above-captioned docket.

As required, an original of this filing along with four (4) hard copies will follow. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

cc: Elaine Chambers, Tennessee-American Water Company

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 19-00041  
FIRST DATA REQUEST OF THE  
TENNESSEE PUBLIC UTILITIES COMMISSION**

**Responsible Witness:**         **Elaine K. Chambers**

- 1-1     Provide a pro forma capital structure and average weighted cost of capital for TAWC assuming all requested indebtedness is issued. Please make explicit all assumptions used to create the pro forma capital structure including the level of short-term debt. Provide the requested proforma capital structure in comparison to TAWC's current capital structure.

**Response:**

Please see TAW\_R\_CPADDR1\_NUM001\_04242019\_Attachment.

For this analysis the Company assumed a forecast period ending December 31, 2023, which is the end of the authorization period requested by the Company in its filed Petition in this case. The projected capital component balances are based on the Company's business plan. The short-term debt component reflects the net increase resulting from issuance of the requested long-term debt authorization amount and planned equity infusions totaling \$21 million. It should be noted that the net increase to the long-term debt face amount was assumed to be \$39 million, due to the expectation that \$11 million of the requested debt issuance authority will be issued in 2023 to replace the Company's \$11 million 3.85% Series Note that matures on March 1, 2024. The capitalization shown in the attachment assumes that the existing Note is replaced as of December 31, 2023 so as to not double count the level of that obligation. The new long-term debt amount of \$50 million was assumed to be a 30-year taxable issuance at a rate of 4.16%, which is the Company's current estimate for a thirty-year taxable obligation issued through American Water Capital Corp., Tennessee American's financing affiliate. Issuance costs and the discount pertaining to the new debt were assumed to be 1.0% and 0.054%, respectively, of the face amount. The cost rate used for short-term debt is the Company's actual cost for March 2019, which was 2.80%. The cost of equity was assumed to be 10.0%, which was authorized by the Tennessee Public Utility Commission in Docket 12-00049, the Company's most recent rate case, order entered on October 15, 2012.

**TENNESSEE-AMERICAN WATER COMPANY**

**Docket No. 19-00041**

**Rate of Return Summary**

**Actual For the Twelve Months Ended March 31, 2019 and Pro Forma at December 31, 2023  
Giving Effect to the Proposed Long-Term Debt Financing Plan and Other Changes to Capitalization**

<u>Class of Capital</u>	<u>Actual at 3/31/2019</u>	<u>% of Total</u>	<u>(%) Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	\$ 11,441,808	6.41%	2.80%	0.18%
Long-Term Debt	76,213,501	42.67%	4.62%	1.97%
Common Equity	<u>90,954,341</u>	<u>50.92%</u>	10.00%	<u>5.09%</u>
Total Capitalization	<u><u>\$ 178,609,650</u></u>	<u><u>100.00%</u></u>		<u><u>7.24%</u></u>

<u>Class of Capital</u>	<u>Pro Forma at 12/31/2023</u>	<u>% of Total</u>	<u>(%) Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	\$ 3,433,398	1.42%	2.80%	0.04%
Long-Term Debt	115,226,300	47.72%	4.49%	2.14%
Common Equity	<u>122,805,109</u>	<u>50.86%</u>	10.00%	<u>5.09%</u>
Total Capitalization	<u><u>\$ 241,464,807</u></u>	<u><u>100.00%</u></u>		<u><u>7.27%</u></u>