

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

IN RE:

**PETITION OF TENNESSEE-AMERICAN
WATER COMPANY FOR APPROVAL
OF THE ESTABLISHMENT OF A
REGULATORY ASSET**

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Docket No. 20-00126

**DIRECT TESTIMONY OF

DAVID N. DITTEMORE**

April 30, 2021

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION FOR THE RECORD.

A1. My name is David N. Dittmore. My business address is Office of the Tennessee Attorney General, John Sevier Building, 500 Dr. Martin L. King Jr. Blvd., Nashville, TN 37243. I am a Financial Analyst employed by the Consumer Advocate Unit in the Financial Division of the Tennessee Attorney General's Office ("Consumer Advocate").

Q2. PLEASE PROVIDE A SUMMARY OF YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE.

A2. I received a Bachelor of Science Degree in Business Administration from the University of Central Missouri in 1982. I am a Certified Public Accountant licensed in the state of Oklahoma (#7562). I was previously employed by the Kansas Corporation Commission (KCC) in various capacities, including Managing Auditor, Chief Auditor, and Director of the Utilities Division. For approximately four years, I was self-employed as a Utility Regulatory Consultant representing primarily the KCC Staff in regulatory issues. I also participated in proceedings in Georgia and Vermont, evaluating issues involving electricity and telecommunications regulation. Additionally, I performed a consulting engagement for Kansas Gas Service (KGS), my subsequent employer during this time frame. For eleven years I served as Manager and subsequently Director of Regulatory Affairs for KGS, the largest natural gas utility in Kansas, serving approximately 625,000 customers. KGS is a division of One Gas, a natural-gas utility serving approximately two million customers in Kansas, Oklahoma, and Texas. I joined the Tennessee Attorney General's Office in September 2017 as a Financial Analyst. Overall, I have thirty years' experience in the field of public-utility regulation. I have presented testimony as an expert witness on many occasions. Attached as Exhibit DND-1 is a detailed overview of my background.

Q3. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION (TPUC OR THE "COMMISSION")?

A3. Yes. I have submitted testimony in many TPUC dockets since joining the Attorney General's Office.

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

1 **A4.** The purpose of my testimony is to present the Consumer Advocate’s recommendation on
2 the request of Tennessee-American Water Company (TAWC or the “Company”) to defer
3 \$514,465 in COVID-19 costs through October 31, 2020. The underlying calculation of the
4 incremental COVID-19 impacts is sponsored by the Consumer Advocate witness, Mr.
5 Craig Cox. My testimony addresses the policy considerations of the Company’s proposal
6 and provides the ultimate recommendation on behalf of our office. I am supporting
7 schedules DND-1 and DND-2 in support of my recommendations.

8 **Q5. CAN YOU SUMMARIZE YOUR RECOMMENDATION?**

9 **A5.** Yes. I recommend the Commission reject the Company’s proposal to establish a regulatory
10 asset for the reasons I set forth below.

11 **Q6. HOW IS YOUR TESTIMONY OUTLINED?**

12 **A6.** My testimony is outlined as follows:

13 I. Policy considerations in evaluating the Company’s proposal.

- 14 a. Was the event underlying the costs unforeseen?
- 15 b. Materiality of costs supported by the Consumer Advocate.
- 16 c. Would deferral of such costs allow the avoidance of base rate filing?
- 17 d. Is the accounting authorization necessary to ensure the Company does not
- 18 experience financial distress?
- 19 e. Which stakeholder group(s) should bear the risk from this event?

20 II. Request for Incremental Interest Expense

21 III. Materiality

22 IV. Recommendation

23 **I. Policy Considerations**

24 **Q7. WHAT POLICY CONSIDERATIONS DO YOU BELIEVE THE COMMISSION**
25 **SHOULD EVALUATE IN CONSIDERING WHETHER TO APPROVE THE**
26 **COMPANY’S REQUEST TO DEFER INCREMENTAL COVID-19 COSTS?**

27 **A7.** I believe the following considerations should be evaluated in this case.

- 28 a. Were the events giving rise to the requested costs unforeseen?

- 1 b. Are the costs that should be eligible for deferral material?
- 2 c. Would the deferral of these costs allow the Company to defer a rate-case
- 3 filing?
- 4 d. Is the accounting authorization necessary to ensure the Company does not
- 5 experience financial distress?
- 6 e. Which stakeholder group(s) should bear the risk from this event?

7 **Q8. DO YOU BELIEVE THE COVID-19 PANDEMIC REPRESENTED AN**

8 **UNFORESEEN EVENT?**

9 **A8.** Yes. In my view the COVID-19 pandemic began with very little time for pre-planning.

10 **Q9. WAS THE MAGNITUDE AND IMPLICATIONS OF COVID-19 CLEAR AT THE**

11 **OUTSET OF PANDEMIC?**

12 **A9.** No. I do not dispute that the COVID-19 pandemic required significant changes in how

13 TAWC conducted its customer-service and field-operation functions given the need for

14 social distancing and the use of protective equipment. Due to the nature of the COVID-19

15 pandemic, I suspect many of the work responses employed in providing service evolved

16 during 2020 and posed great challenges.

17 **Q10. DO THE CHALLENGES FACED BY THE COMPANY IN THE PROVISION OF**

18 **SERVICE NECESSARILY TRANSLATE TO THE INCURRANCE OF**

19 **MATERIAL COSTS?**

20 **A10.** No. It is important to distinguish the operating challenges faced by the Company during

21 the COVID-19 pandemic with whether costs incurred by the Company associated with the

22 COVID-19 pandemic were material.

23 **Q11. DO YOU BELIEVE THE MAGNITUDE OF THE COSTS SUPPORTED BY**

24 **EITHER THE COMPANY OR MR. COX ARE MATERIAL TO THE OPERATING**

25 **RESULTS OF THE COMPANY SUCH THAT THEY WARRANT A SPECIAL**

26 **ACCOUNTING ORDER?**

27 **A11.** No, I do not.

1 **Q12. HAS THE COMPANY PRESENTED ANY EVIDENCE THAT THE DEFERRAL OF**
2 **SUCH COSTS IS NEEDED OR NECESSARY IN ORDER TO AVOID A BASE**
3 **RATE CASE?**

4 **A12.** No. The Petition has indicated the costs are significant¹, but neither the Petition nor the
5 testimony of Ms. Chambers supports this claim by putting the purported COVID-19 costs
6 in context of the Company's overall financial results. The Company has failed to support
7 this important claim with any factual evidence. The Company's mere claim that the
8 financial impacts of the COVID-19 pandemic are significant does not make it so.

9 **Q13. HAS THE COMPANY PRESENTED ANY EVIDENCE INDICATING THAT THE**
10 **COMPANY'S PARENT, AMERICAN WATER COMPANY, SEEKS AN ORDER**
11 **FROM THE COMMISSION THAT WOULD PERMIT IT TO RECORD A**
12 **REGULATORY ASSET ON ITS BOOKS?**

13 **A13.** No.

14 **Q14. WHY IS THE ISSUE OF WHETHER AMERICAN WATER COMPANY PLANS**
15 **TO RECORD THE TAWC PORTION OF ITS COVID-19 RELATED COSTS ON**
16 **ITS BOOKS RELEVANT IN THIS PROCEEDING?**

17 **A14.** If American Water Company does not intend to record a regulatory asset on its books for
18 the collective COVID-19 costs of its affiliates, one would question whether recovery of
19 such costs is impactful to the financial condition of American Water. Any recording of a
20 deferred asset on the books of American Water Company would require compliance with
21 Accounting Standard Codification (ASC) 980.

22 **Q15. HAS THE COMPANY PRESENTED ANY FINANCIAL INFORMATION THAT**
23 **THE DEFERRAL BY AMERICAN WATER COMPANY OF ITS TOTAL**
24 **COMPANY COVID-19 COSTS IS NECESSARY TO AVOID FINANCIAL**
25 **DISTRESS OR HARDSHIP?**

¹ *Petition of Tennessee-American Water Company for Approval of the Establishment of a Regulatory Asset*, p. 6, ¶12, TPUC Docket No. 20-00126 (November 16, 2020).

1 **A15.** No. The significant dividend increases identified by Mr. Cox in his testimony² indicate
2 that American Water Company was not experiencing any financial hardship during the
3 pandemic.

4 **Q16. DOES THE COMPANY'S PROPOSAL RESULT IN SHIFTING COSTS OF**
5 **COVID-19 TO THE COMPANY'S CUSTOMERS?**

6 **A16.** Yes. The Company's proposal would shift the cost of the COVID-19 pandemic to its
7 customers.

8 **Q17. DO YOU BELIEVE ITS REASONABLE TO ASSIGN ALL OF THE COST**
9 **IMPACTS OF COVID-19 TO RATEPAYERS?**

10 **A17.** No, I do not. First, I do not believe that TAWC's COVID-19 pandemic costs are material;
11 thus, these costs need not be considered by the Commission—as I will explain later in my
12 testimony. However, if the Commission determined such costs were material, I would
13 recommend that the defined impact of COVID-19, as contained in the testimony of Mr.
14 Cox³, be split evenly between the shareholders of American Water Company and its
15 customers.

16 **Q18. ARE SHAREHOLDERS OF AMERICAN WATER COMPANY COMPENSATED**
17 **FOR RISK WITHIN ITS AUTHORIZED RETURN ON EQUITY?**

18 **A18.** Yes. Utilities, including TAWC, have an authorized return on equity that includes a
19 healthy premium in excess of a risk-free rate of return; this compensates shareholders for
20 the assumption of risk.⁴ I believe COVID-19 is such a risk for which the shareholders of
21 American Water Company already are compensated. Thus, ratepayers should not be
22 required to compensate the Company a second time for the explicit incremental costs of
23 the pandemic.

24 **II. Request for Recovery of Incremental Interest Expense**

² *Direct Testimony of Craig C. Cox* at 6:26 – 7:4, TPUC Docket No. 20-00126 (April 30, 2021).

³ *Direct Testimony of Craig C. Cox* at Schedule CCC-1, Ln. 19, Col. H.

⁴ The current yield on ten-year Treasury Notes is 1.57% [US10Y: 1.568% UNCH \(UNCH\) \(cnbc.com\)](#); while the authorized return on equity established in the Company's last rate case was 10%, yielding a risk premium of a healthy 8.43%.

1 **Q19. DO YOU HAVE COMMENTS CONCERNING THE REQUEST TO RECOVER**
2 **FINANCING COSTS ASSOCIATED WITH THE PANDEMIC?**

3 **A19.** Yes. First, I would like to point out that the Company has not been consistent in
4 quantifying its incremental financing costs contrasted with the approach in identifying
5 COVID-19-related Uncollectible Expense. In the latter cost category, it relied upon the
6 Uncollectible Expense calculation embedded in the last rate case.⁵ However, for
7 computation of COVID-19 related Interest Expense, the Company ignores the related
8 amounts of these costs embedded in existing base rates and the Company's Capital Rider.

9 **Q20. HAVE YOU PREPARED AN ANALYSIS COMPARING THE COMPANY'S**
10 **ACTUAL INTEREST COSTS WITH THAT CURRENTLY RECOVERED FROM**
11 **RATEPAYERS?**

12 **A20.** Yes. Schedule DND-1 compares the current interest costs recovered from ratepayers, from
13 both base rates and the Capital Riders (\$8,555,846), with the actual interest expense
14 reported in the Company's Form 3.06 filed with the Commission (\$3,877,753). The
15 difference of \$4,678,093 represents the excess of amounts collected from ratepayers for
16 the assumed debt costs compared with the actual debt costs of the Company. This
17 difference is obviously significant and provides sufficient headroom to permit the
18 Company to absorb its incremental COVID-19 pandemic costs, regardless of how such
19 costs are defined.

20 **Q21. PLEASE EXPLAIN HOW YOU QUANTIFIED THE INTEREST COSTS**
21 **CURRENTLY RECOVERED FROM RATEPAYERS.**

22 **A21.** First, I identified the weighted cost of debt incorporated in the settlement in the Company's
23 last rate case, TRA⁶ Docket No. 12-00049.⁷ As shown on line 3 of Schedule DND-1, the
24 weighted cost of debt embedded in the two rate structures of the Company is 3.8%,
25 consistent with the Stipulation and Settlement Agreement adopted by the Commission in
26 Docket No. 12-00049. The Company's Capital Rider rate of return incorporates this

⁵ *Direct Testimony of Craig C. Cox* at 5:1-5.

⁶ The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

⁷ *Stipulation and Settlement Agreement*, TRA Docket No. 12-00049 (October 1, 2012).

1 weighted cost of debt in a fashion identical to that incorporated in base rates. The next step
2 is to determine the Company's total compensated rate base, which is the sum of rate base
3 incorporated in the Company's last rate case (\$132,015,472)⁸ plus the rate base element
4 within the Capital Riders (\$93,416,244)⁹. This equals the total compensated rate base of
5 the Company (\$225,431,716). When this rate-base total is multiplied by the embedded
6 weighted cost of debt within the overall rate of return, the product yields the total interest
7 expense recovered from ratepayers (\$8,555,846). This total is then compared with the
8 Company's reported Interest Expense in its annual report submitted to the Commission
9 (\$3,877,753), producing an excess recovery from ratepayers associated with interest
10 expense of nearly \$4.7 million.

11 **Q22. HOW DO YOU BELIEVE THE COMMISSION SHOULD VIEW THIS EXCESS**
12 **RECOVERY IN THE CONTEXT OF THIS PROCEEDING?**

13 **A22.** The Company has requested recovery of its incremental financing costs associated with the
14 pandemic. The Company has calculated its incremental Uncollectible Expense in this
15 proceeding by relying upon the corresponding costs embedded in its base rates, implying
16 that such costs incurred in its last base rate case are relevant to this proceeding. In that
17 sense, it should also be relevant to consider the corresponding financing costs incorporated
18 in rates compared with the current financing costs of the company. If the Company had
19 been consistent in measuring its COVID-19-related components with the way it requested
20 recovery of Uncollectible Expense, it would not have submitted the present application. It
21 should be remembered that it has been nine years since the Company's last base rate case.
22 This request is an example of single-issue ratemaking involving one relatively minor cost
23 item without an examination of the larger earnings picture of the Company.

24 **III. Materiality of requested COVID-19 costs**

⁸ *Id.* at p. 4 ¶11b.

⁹ *Petition of Tennessee-American Water Company Regarding Changes to the Qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider and in Support of the Calculation of the 2021 Capital Recovery Riders Reconciliation*, file <TAW_2020_Capital_Rider>, tab "Exhibit Reconciliation", TPUC Docket No. 21-00030, (March 1, 2021).

1 **Q23. DO YOU BELIEVE THE COVID-19 COSTS REQUESTED BY THE COMPANY**
2 **ARE MATERIAL TO ITS OVERALL RATE OF RETURN SUFFICIENT TO BE**
3 **PERMITTED SPECIAL ACCOUNTING TREATMENT?**

4 **A23.** No. Schedule DND-2 calculates that the financial impact from the requested pandemic
5 costs equate to an after-tax reduction in the Company's return on equity of .39%. This
6 calculation was performed using the Company's claim of COVID-19 costs. I do not
7 believe a reduction of .39% in the return on equity constitutes an issue that justifies unique
8 accounting treatment and warrants a special proceeding before the Commission. In
9 summary, the Company's claim is not material and does not justify special treatment, nor
10 does it warrant the attention of the Commission. Further, as shown on Schedule DND-1,
11 the return-on-equity impact of incremental COVID-19 costs sponsored by Mr. Cox
12 produces a reduction in the return on equity of .15%.

13 **Q24. DOES THE POSSIBILITY THAT NEW COVID-19 COSTS MAY BE INCURRED**
14 **IMPACT YOUR OPINION REGARDING MATERIALITY?**

15 **A24.** No, not at this time. As mentioned in Mr. Cox's testimony, COVID-19 pandemic costs
16 decreased through December 31, 2020 even under the Company's calculation compared
17 with those same costs incurred through October 31, 2020.

18 **IV. Recommendation**

19 **Q25. WHAT IS YOUR RECOMMENDATION IN THIS MATTER?**

20 **A25.** I recommend the Commission reject the Company's proposal to defer incremental COVID-
21 19 costs as requested due to the de-minimis impact the costs have on the Company's return
22 on equity. Further, there is sufficient headroom in the Company's recovery of interest costs
23 to absorb any incremental COVID-19-related costs. If instead the Commission believes
24 the COVID-19 costs are material to the Company, I recommend an equal sharing of such
25 costs between customers and shareholders based upon the total incremental costs supported
26 by Mr. Cox of \$189,686¹⁰, producing a regulatory asset of \$94,843.

¹⁰ *Direct Testimony of Craig C. Cox* at Schedule CCC-1, Ln. 19, Col. H.

1 **Q26. WHAT IS THE BASIS FOR SHARING OF SUCH COSTS BETWEEN**
2 **CUSTOMERS AND SHAREHOLDERS?**

3 **A26.** The Company's customers should not bear the total costs of the pandemic.
4 Notwithstanding the minimal impact this event had on the Company's financial situation,
5 the most customers should bear from this unforeseen event would be fifty percent of the
6 incremental costs supported by Mr. Cox, which would represent an equal share of the risk
7 from the event.

8 **Q27. DOES THIS COMPLETE YOUR TESTIMONY?**

9 **A27.** Yes, however, I reserve the right to supplement my testimony should new information
10 arise.



20-00126 Affidavit DND-signed.pdf

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IN THE TENNESSEE PUBLIC UTILITY COMMISSION
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF TENNESSEE-
AMERICAN WATER COMPANY FOR
APPROVAL OF THE
ESTABLISHMENT OF A
REGULATORY ASSET

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DOCKET NO. 20-00126

AFFIDAVIT

I, David Dittmore, on behalf of the Consumer Advocate Unit of the Attorney General's Office hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.

David D. Dittmore

DAVID N. DITTEMORE

Sworn to and subscribed before me

This _____ day of _____, 2021 04/28/2021

Terra Allen
Signed on 2021/04/28 09:32:54 -6:00

NOTARY PUBLIC

My Commission Expires: _____



David Dittmore

Experience

Areas of Specialization

Approximately thirty-years' experience in evaluating and preparing regulatory analysis, including revenue requirements, mergers and acquisitions, utility accounting and finance issues and public policy aspects of utility regulation. Presented testimony on behalf of my employers and clients in natural gas, electric, telecommunication and transportation matters covering a variety of issues.

Tennessee Attorney General's Office; Financial Analyst September 2017 — Current

Responsible for evaluation of utility proposals on behalf of the Attorney General's office including water, wastewater, and natural gas utility filings. Prepare analysis and expert witness testimony documenting findings and recommendations.

Kansas Gas Service; Director Regulatory Affairs 2014 — 2017; Manager Regulatory Affairs, 2007 - 2014

Responsible for directing the regulatory activity of Kansas Gas Service (KGS), a division of ONE Gas, serving approximately 625,000 customers throughout central and eastern Kansas. In this capacity I have formulated strategic regulatory objectives for KGS, formulated strategic legislative options for KGS and led a Kansas inter-utility task force to discuss those options, participated in ONE Gas financial planning meetings, hired and trained new employees and provided recommendations on operational procedures designed to reduce regulatory risk. Responsible for the overall management and processing of base rate cases (2012 and 2016). I also played an active role, including leading negotiations on behalf of ONE Gas in its Separation application from its former parent, ONEOK, before the Kansas Corporation Commission. I have monitored regulatory earnings, and continually determine potential ratemaking outcomes in the event of a rate case filing, I ensure that all required regulatory filings, including surcharges are submitted on a timely and accurate basis. I also am responsible for monitoring all electric utility rate filings to evaluate competitive impacts from rate design proposals.

Strategic Regulatory Solutions; 2003 -2007

Principal; Serving clients regarding revenue requirement and regulatory policy issues in the natural gas, electric and telecommunication sectors.

Williams Energy Marketing and Trading', 2000-2003 Manager Regulatory Affairs

Monitored and researched a variety of state and federal electric regulatory issues. Participated in due diligence efforts in targeting investor-owned electric utilities for full requirement power contracts. Researched key state and federal rules to identify potential advantages/disadvantages of entering a given market.

MCI WorldCom; 1999 – 2000 Manager Wholesale Billing Resolution

Manage a group of professionals responsible for resolving Wholesale Billing Disputes greater than \$50K. During my tenure, completed disputes increased by over 100%, rising to \$150M per year.

Kansas Corporation Commission; 1984 - 1999

Utilities Division Director - 1997 - 1999; Responsible for managing employees with the goal of providing timely, quality recommendations to the Commission covering all aspects of natural gas, telecommunications and electric utility regulation; respond to legislative inquiries as requested; sponsor expert witness testimony before the Commission on selected key regulatory issues; provide testimony before the Kansas legislature on behalf of the KCC regarding proposed utility legislation; manage a budget in excess of \$2 Million; recruit professional staff; monitor trends, current issues and new legislation in all three major industries; address personnel issues as necessary to ensure that the goals of the agency are being met; negotiate and reach agreement where possible with utility personnel on major issues pending before the Commission including mergers and acquisitions; consult with attorneys on a daily basis to ensure that Utilities Division objectives are being met.

Asst. Division Director - 1996 - 1997; Perform duties as assigned by Division Director.

Chief of Accounting 1990 - 1995; Responsible for the direct supervision of 9 employees within the accounting section; areas of responsibility included providing expert witness testimony on a variety of revenue requirement topics; hired and provided hands-on training for new employees; coordinated and managed consulting contracts on major staff projects such as merger requests and rate increase proposals.

Managing Regulatory Auditor, Senior Auditor, Regulatory Auditor 1984 - 1990; Performed audits and analysis as directed; provided expert witness testimony on numerous occasions before the KCC; trained and directed less experienced auditors onsite during regulatory reviews,

Amoco Production Company 1982 - 1984

Accountant Responsible for revenue reporting and royalty payments for natural gas liquids at several large processing plants,

Education

- B.S.B.A. (Accounting) Central Missouri State University
- Passed CPA exam; (Oklahoma certificate # 7562) — Not a license to practice

Tennessee American Water Company
Docket No. 20-00126
Request for COVID-19 Accounting Deferral
Analysis of Imputed Debt Costs

Schedule DND-1

Comparison of Debt Costs recovered in base rates and Capital Riders compared with actual Debt Costs

Line No.	Item from 12-00049 Rate Case Stipulation	Capitalization %	Cost	Weighted Cost
1	Short Term Debt	3.30%	1.00%	0.03%
2	Long-Term Debt	62.29%	6.04%	3.76%
3	Total Cost			3.80%
<hr/>				
4	Rate Base 2012 Rate Case; Docket 12-00049		\$ 132,015,472	Stipulation and Agreement, 12-00049 File:
5	TAWC Reconciliation Rate Base - Docket 21-00030		<u>\$ 93,416,244</u>	TAW_2020_Capital_Rider_Reconl
6	Total Rate Base Recoverable from TAWC Ratepayers		\$ 225,431,716	
7	Multiplied by Wtd Cost of Debt		<u>3.80%</u>	
8	Interest Cost Recovered from Ratepayers - Base Rates + Capital Rider		<u>\$ 8,555,846</u>	
9	Less: Actual Debt Costs per December Form 3.06		<u>\$ (3,877,753)</u>	Page 1, Line 19
10	Excess Recoveries - Interest Expense		<u><u>\$ 4,678,093</u></u>	

Tennessee American Water Company
Docket No. 20-00126
Request for COVID-19 Accounting Deferral
Analysis of Materiality of Covid-19 Costs

Schedule DND-2

<u>I. After Tax COVID-19 Costs</u>		<u>Per TAWC Costs</u>		<u>Per CA Costs</u>
COVID-19 Costs	A/	\$ 514,465	B/	\$ 189,686
Composite Tax Rate		26.14%		26.14%
Tax benefit to TAWC		\$ 134,455		\$ 49,574
After Tax COVID cost to TAWC		\$ 380,010		\$ 140,112
TAWC Equity		\$ 96,553,902		\$ 96,553,902
Impact on TAWC ROE		0.39%		0.15%

A/ TAWC Petition, page 8

B/ Schedule CCC-1

II. Calculation of Equity

Rate Base	\$ 210,267,107	TAWC Monthly Report December 2020 (Average)
Less: Long Term Debt	86,673,621	TAWC Monthly Report December 2020 (Average)
Short Term Debt	27,039,584	See Below
Imputed Equity	\$ 96,553,902	

III. Determination of Short Term Debt

		Monthly TN Statements Reports
December	\$ 11,989,757	
January	13,129,269	"
February	16,967,797	"
March	18,579,372	"
April	14,956,719	"
May	15,774,265	"
June	30,556,946	"
July	33,050,985	"
August	33,572,569	"
September	38,656,562	"
October	39,513,505	"
November	39,898,564	"
December	44,868,279	"
Thirteen Month Average	\$ 27,039,584	

IV. Tax Factor Calculation

Tennessee Excise Tax Rate	6.50%
Residual Subject to Federal Taxes	93.50%
Federal Statutory Rate	21.00%
Effective Federal Rate	19.64%
Effective Composite Rate	26.14%
Reciprocal Tax Rate	73.87%
Tax Factor (1/.7387)	1.35382