

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

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN)	
WATER COMPANY FOR APPROVAL)	Docket No. 20-00126
OF THE ESTABLISHMENT OF A)	
REGULATORY ASSET)	

STIPULATION AND SETTLEMENT AGREEMENT

Jointly comes the Consumer Advocate Unit in the Financial Division of the Office of the Attorney General (the "Consumer Advocate") and Tennessee-American Water Company (TAWC or the "Company") and respectfully submit this Stipulation and Settlement Agreement (the "Settlement Agreement") in TPUC Docket No. 20-00126 to the Tennessee Public Utility Commission (TPUC or the "Commission"). Subject to the TPUC's approval, the Consumer Advocate and TAWC (hereinafter, individually "Party" and collectively "Parties") stipulate and agree as follows:

I. BACKGROUND

1. TAWC, 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 80,600 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. TAWC 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 sixteen (16) million people in thirty-five (35) states.

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

II. SETTLEMENT TERMS

4. Subject to the TPUC's approval, in furtherance of this Settlement Agreement, the Parties have agreed to the settlement terms set forth below in sections A. COVID-19 Regulatory Asset and B. General Terms:

A. COVID-19 Regulatory Asset

5. Authorization for Deferral (\$149,048). TAWC shall be authorized to record, as a regulatory asset, the COVID-19 Emergency Financial Impacts as defined in A.6. through A.11. below. Attached Exhibit A provides an overview of the changes in forgone fees, costs, and offsets during the course of this docket.

6. Term. The term of the deferral period authorized for financial impacts began March 1, 2020, and continued through April 30, 2021. The Company may request an extension(s) subject to Commission approval.

7. COVID-19 Emergency Financial Impact.

(a) *Late Fees (Costs = \$304,140).* The Company shall be authorized to defer, as a regulatory asset, Late Fees foregone during the period March 1, 2020, through September 29, 2020.¹ .

¹ *Order Lifting Suspension of Disconnection of Service for Lack of Payment with Conditions, Effective on August 29, 2020, TPUC Docket No. 20-00047 (September 16, 2020).*

(b) *Foregone Travel and Conference Expenses (Savings = \$(239,933))*. The cost savings related to foregone travel and conferences are deferred as a credit to the regulatory asset for the period March 2020 through April 30, 2021. These Savings will be calculated as (1) the three-year average of actual Travel and Conference costs for each month, 2017 through 2019, less (2) actual Travel and Conference costs incurred during the period March 2020 through April 30, 2021.

(c) *Other Expenses*. The following items are authorized to be deferred as a regulatory asset.

i. *Bad Debt Expense (Savings = \$(10,115))*. Bad Debt expense savings is computed by comparing the actual expense during this period with the level included in base rates (\$499,974)² plus the bad debt expense recovered in TAWC's Capital Recovery (QIIP, EDI, and SEC) and Production Costs and Other Pass-Throughs Riders (\$99,168 on an annual basis).³

ii. *Personal Protective Equipment (Cost = \$94,956)*. COVID-related Personal Protective Equipment includes additional cleaning of facilities and vehicles, sanitizers, signage, and rental equipment, and other incremental expenses and revenue losses related to COVID-19.

8. Excluded COVID-19 Emergency Financial Impacts.

(a) The Parties acknowledge the following items, if such existed during March 2020 through April 30, 2021, and are not included in the deferral: (i) Any lost volumetric sales revenue that may have been experienced; (ii) Foregone Disconnect-Reconnect Fee

² The annual amount of \$499,974 when applied to the fourteen-month period is \$563,570.

³ The annual amount of \$99,168 when applied to the fourteen-month period is \$123,129.

revenues; (iii) Any return earned on the unused term-loan proceeds during the period; and (iv) Carrying costs on the regulatory asset.

(b) The Parties also excluded the interest cost assigned to TAWC associated with American Water Works' term loan for the period March 2020 through March 2021, which amounted to \$155,092 as of April 30, 2021.

9. Government benefits, including direct grant, tax credits, or other. In collaboration with the parties to this settlement, TAWC shall exercise prudent efforts to identify and utilize government benefits associated with the COVID-19 emergency, whether direct grant, tax credits, or other, to minimize costs to be deferred under this settlement.

10. Total COVID-19 Emergency Deferral (\$149,048). The total deferral authorized for TAWC will be \$149,048, a reduction of \$196,125 from the amount listed in Exhibit No. 2, Schedule JCS-1.⁴

11. The deferred asset shall be charged to expense at the earlier of the date new base rates become effective or January 1, 2024. The amortization associated with this deferred asset shall be three years. Such amortization period has no precedential impact on other amortization periods established in future Commission proceedings.

B. General Terms

12. 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.

⁴ Rebuttal Testimony of J. Cas Swiz, Exhibit 2, Schedule JCS-1 (June 4, 2021).

13. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the Commission 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.

14. 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.

15. 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.

16. The Parties agree and request the Commission 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 Commission, 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.

17. 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 Commission issue an order adopting this Settlement Agreement in its entirety without modification.

18. If the Commission 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 Commission

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 Commission; 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 Commission 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.

19. 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 Commission in whole or in part.

20. 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.

21. 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.

22. 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.

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


24. 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.

25. 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 28th day of July, 2021.

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 20-00126
Tennessee American Water Company, Inc. Signature Page

TENNESSEE AMERICAN WATER COMPANY, INC.

BY: Melvin Malone by permission
MELVIN J. MALONE (BPR #013874) 
Butler Snow LLP
The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201
melvin.malone@butlersnow.com
Counsel for Tennessee American Water Company

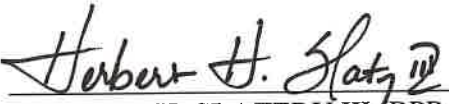
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Stipulation and Settlement Agreement
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Attorney General's Signature Page

FINANCIAL DIVISION, CONSUMER ADVOCATE UNIT

By:

OFFICE OF THE TENNESSEE ATTORNEY GENERAL


HERBERT H. SLATTERY III (BPR # 09077)
Attorney General and Reporter
State of Tennessee


KAREN H. STACHOWSKI (BPR #019607)
Senior Assistant Attorney General
VANCE L. BROEMEL (BPR #011421)
Senior Assistant Attorney General
Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, Tennessee 37202-0207
Phone: (615) 741-2370
Email: karen.stachowski@ag.tn.gov
Email: vance.broemel@ag.tn.gov

Tennessee-American Water Company
DOCKET NO. 20-00126
Regulatory Asset - COVID-19 Deferral Request Amounts
Settlement Agreement Analysis

Exhibit A

Description	20-00126 Initial Filing Amts at 10/31/20	TAWC Requested Fiscal Year-End Amts at 12/31/20	CA Proposed Fiscal YE Maximum Amts at 12/31/20	TAWC Updated per Rebuttal Filing at 4/30/21	Settlement Amts at 4/30/2021
Foregone Late Payment Fees	\$ 306,626	\$ 304,140	\$ 242,772	\$ 304,140	\$ 304,140
Costs					
Incremental Operating Expenses	62,391	85,267	85,267	94,956	94,956
Uncollectible Expense	154,757	116,035	0	(10,115)	(10,115)
Term Loan Interest Expense	112,090	131,360	17,218	155,092	0
Direct Offsets					
Travel/Conference Savings	(121,398)	(135,508)	(155,571)	(198,901)	(239,933)
Total	\$ 514,465	\$ 501,294	\$ 189,686	\$ 345,173	\$ 149,048