

**PETITIONER'S EXHIBIT EKC-1**

**TENNESSEE-AMERICAN WATER COMPANY, INC.**

**DOCKET NO. 21- 00030**

**DIRECT TESTIMONY**

**OF**

**ELAINE K. CHAMBERS**

**ON**

**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**

**SPONSORING PETITIONER'S EXHIBITS:**

**PETITIONER'S EXHIBIT – CAPITAL RIDERS RECONCILIATION – EKC**  
**PETITIONER'S EXHIBIT – CAPITAL RIDER CHARGES SUMMARY – EKC**  
**PETITIONER'S EXHIBIT – WORK ORDER DETAIL SUMMARY – EKC**  
**PETITIONER'S EXHIBIT – EARNINGS TEST – EKC**  
**PETITIONER'S EXHIBIT – CURRENT TARIFF SHEET NO. 12 – CAPITAL RIDERS –**  
**EKC**  
**PETITIONER'S EXHIBIT – CURRENT TARIFF SHEET NO. 12 – RIDERS – EKC**  
**PETITIONER'S EXHIBIT – PROPOSED TARIFF SHEET NO. 12 – RIDERS – EKC**  
**PETITIONER'S EXHIBIT – ANNUAL APPROVED TARIFFS – EKC**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Elaine K. Chambers and my business address is 2300 Richmond Road,  
3 Lexington, Kentucky 40502.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by American Water Works Service Company (“AWW”) as Director,  
6 Rates and Regulatory for Tennessee-American Water and Kentucky-American Water.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY**  
8 **OTHER COMMISSION?**

9 A. Yes. I submitted an affidavit in support of Federal Energy Regulatory Commission  
10 proceeding EL05-55-001, while employed by MISO. I have submitted testimony for  
11 Indianapolis Power and Light Company’s case in chief in the following Cause Nos.: 44576,  
12 44893, and 45029 while employed there. I have also submitted testimony for various  
13 TPUC Dockets.

14 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**  
15 **BACKGROUND.**

16 A. I have a Bachelor of Science degree from the University of Indianapolis in Accounting. I  
17 also have a Master’s of Business Administration from the University of Indianapolis, and  
18 I am a Certified Public Accountant in the State of Indiana.

19 I have twenty-one years of experience at Indianapolis Power and Light Company,  
20 twelve of which were in the Rates area. I also have experience in energy consulting with  
21 Andersen and Black & Veatch. I also managed the transmission and market settlement  
22 functions for the Midwest Independent System Operator, now known as Midcontinent

1 Independent System Operator (“MISO”). I have been with AWW approximately two  
2 years.

3 **Q. WHAT ARE YOUR DUTIES AS DIRECTOR, RATES AND REGULATORY?**

4 A. My primary responsibilities encompass the coordination of regulatory issues in Tennessee  
5 and Kentucky. This includes coordinating all reports and filings, working with regulatory  
6 staff to make sure that all information produced addresses the requirements or requests,  
7 and overseeing the preparation and filing of rate cases and tariff changes. I work with the  
8 senior management in both states on planning. I am also responsible for keeping abreast  
9 of changes in regulation, or trends in regulatory oversight across the United States that may  
10 impact our local operations. I report to the Presidents of Tennessee-American Water  
11 (“Tennessee-American,” “TAWC” or “Company”) and Kentucky-American Water,  
12 “KAWC” dually. I am located in Kentucky, but work closely with the TAWC staff in  
13 Tennessee as well.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. The purpose of my testimony is to support the calculation of the 2021 Capital Recovery  
16 Riders Reconciliation described in TAWC’s Petition, for the period of January 1, 2020  
17 through December 31, 2020. On April 14, 2014, the TPUC approved four new alternative  
18 rate mechanisms for TAWC, effective April 15, 2014, in TPUC Docket No. 13-00130.  
19 Three of these alternative rate mechanisms were capital program recovery riders,  
20 commonly referred to as the “Capital Recovery Riders,” and one was for a rider for  
21 Production Costs and Other Pass-throughs (“PCOP”). The three Capital Recovery Riders  
22 are the only items included in this current Petition.

1 On June 29, 2015, the TPUC approved an adjustment to the three Capital Recovery Riders  
2 for 2015 in Docket No. 14-00121, with some modifications to one of the Capital Recovery  
3 Riders. Those modifications, set forth in the TPUC's February 1, 2016, *Order Granting,*  
4 *In Part, Denying, In Part, Petition*, have been incorporated into the current Petition for an  
5 adjustment for 2020. Additionally, TAWC has included the corrections made to the Capital  
6 Recovery Riders calculations in related dockets, including Docket Nos. 15-00111, 16-  
7 00022<sup>1</sup>, 17-00020, 18-00022, 19-00031 and 20-00028.

8 The purpose of TAWC's Petition, which this testimony accompanies (the  
9 "Petition"), is to provide the required information for the reconciliation of the 2020 review  
10 period to comply with the previously approved Capital Recovery Riders tariffs, which as  
11 noted above were approved in TPUC Docket No. 13-000130. The information provided  
12 in my testimony is consistent with Tenn. Code Ann. § 65-5-103 *et seq.* and the TPUC's  
13 April 14, 2014, approval of the Capital Recovery Riders.

14 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

15 A. Yes, I am. I am sponsoring the following exhibits:

16 **Petitioner's Exhibit – Capital Riders Reconciliation – EKC**  
17 **Petitioner's Exhibit – Capital Rider Charges Summary – EKC**  
18 **Petitioner's Exhibit – Work Order Detail Summary – EKC**  
19 **Petitioner's Exhibit – Earnings Test – EKC**  
20 **Petitioner's Exhibit – Current Tariff Sheet No. 12 – Capital Riders – EKC**  
21 **Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders – EKC**  
22 **Petitioner's Exhibit – Proposed Tariff Sheet No. 12 – Riders – EKC**  
23 **Petitioner's Exhibit – Annual Approved Tariffs – EKC**  
24

25 I will discuss these exhibits in further detail in my testimony below.

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<sup>1</sup> See *Order Approving Petition As Amended*, TRA Docket No. 15-00111 (May 16, 2016); *Pre-filed Testimony of TAWC Witness Linda C. Bridwell*, TRA Docket No. 16-00022; and *Order Granting Petition*, TRA Docket No. 16-00022 (Dec. 29, 2016).

1 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**  
2 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

3 A. Yes.

4 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**  
5 **PETITIONER'S EXHIBITS LISTED ABOVE?**

6 A. The data used to prepare the exhibits was acquired from the books of account and business  
7 records of Tennessee-American, and other internal sources which I examined in the course  
8 of my investigation of the matters addressed in this testimony. The Company's filings in  
9 this TPUC Docket are complete and accurate to the best of my knowledge and belief; the  
10 filing is compliant with TAWC's Capital Recovery Riders tariffs and all TPUC orders and  
11 directives related to TAWC's Capital Recovery Riders tariffs; any changes in the Petition  
12 from previously approved Capital Recovery Riders' methodologies or calculations are  
13 identified in the Petition and supporting documentation; the accounting data set forth in  
14 this filing is reflected in the Company's General Ledger, or have been reconciled from the  
15 Company's General Ledger to the filing in the workpapers provided with the filing. There  
16 is one additional file that was used to provide support information for the 2020  
17 reconciliation. This file is the final version of the calculations in Docket No. 20-00028.  
18 The file has been provided only in excel format and not in paper copy because the  
19 information links directly to the current filing.

20 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**  
21 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**  
22 **PURPOSES?**

23 A. Yes.

1 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**  
2 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**  
3 **DATA?**

4 A. Yes, they do.

5 **Q. WHAT ARE THE THREE CAPITAL RECOVERY RIDERS APPROVED BY THE**  
6 **TPUC?**

7 A. Pursuant to Tennessee Code Annotated Section 65-5-103 et seq., the three Capital  
8 Recovery Riders authorized in Docket No. 13-00130 are based on certain categories of  
9 capital expenditures to cover the investment period of calendar year 2014. The first Capital  
10 Recovery Rider is the Qualified Infrastructure Investment Program (“QIIP”) Rider. This  
11 rider is designed to recover the costs associated with the capital investment made in non-  
12 revenue producing plant made between rate cases. “Non-revenue plant” is not constructed  
13 or installed for the purpose of serving a new customer, e.g. replacing aging infrastructure.  
14 “Revenue producing” plant is plant constructed or installed for serving a new customer.  
15 Examples of revenue producing plant are main extensions specifically for a new  
16 development, or new services or meters for new customers. As outlined in Docket No. 13-  
17 00130, aging water and wastewater infrastructure is a growing problem across the United  
18 States, including Tennessee, that will require significant investments over the next few  
19 decades to continue to provide clean and reliable water service. This rider helps TAWC  
20 address the replacement of this critical, aging infrastructure. The QIIP Rider includes  
21 replacement of existing infrastructure in the areas of mains, meters, services, hydrants,  
22 water treatment equipment, pumping equipment, and tank painting.

The second Capital Recovery Rider is the Economic Development Investment (“EDI”) Rider. This rider is primarily for the recovery of investment made in infrastructure to assist in economic development in the communities and areas served by TAWC. Communities across the country are competing for economic development opportunities to provide growth in jobs, taxes, and overall quality of life for residents. This rider provides an opportunity for TAWC to partner with the communities it serves to assist in economic development. Additionally, unlike the QIIP Rider, the EDI Rider may include operating expenses related specifically to economic development.

The third Capital Recovery Rider is the Safety and Environmental Compliance (“SEC”) Rider. This rider is for the recovery of investment made to comply with safety and environmental regulations since the previous rate case. TAWC, like other utilities, is faced with increasing capital investment requirements to comply with safety and environmental regulations. This rider assists TAWC in addressing those requirements. Like the EDI Rider, the SEC Rider may include operating expenses that can be identified as specifically for the new infrastructure under this rider.

The table below summarizes the history of the three Capital Recovery riders to date:

TPUC Docket No.	Description	Status
13-00130	Initial Authorization of Capital Recovery Riders for 2014	Authorized
14-00121	Adjustment for investment period of calendar year 2015	Authorized
15-00029	2015 Reconciliation for calendar year 2014	Authorized
15-00111	Adjustment for investment period of calendar year 2016	Authorized
16-00022	2016 Reconciliation for calendar year 2015	Authorized
16-00126	Adjustment for investment period of calendar year 2017	Authorized
17-00020	2017 Reconciliation for calendar year 2016	Authorized
17-00124	Adjustment for investment period of calendar year 2018	Authorized
18-00022	2018 Reconciliation for calendar year 2017	Authorized
18-00120	Adjustment for investment period of calendar year 2019	Authorized
19-00031	2019 Reconciliation for calendar year 2018	Authorized
19-00105	Adjustment for investment period of calendar year 2020	Authorized
20-00028	2020 Reconciliation for calendar year 2019	Authorized
20-00128	Adjustment for investment period of calendar year 2021	Pending

1 The purpose of the current Petition is to comply with the tariffs approved in TPUC Docket  
2 No. 13-00130 and provide the required information and supporting documentation in each  
3 of the Capital Recovery Riders for the reconciliation of the investment period of calendar  
4 year 2020, authorized in the sixth adjustment shown in the table above.

5 Attached to my testimony is **Petitioner's Exhibit Current Tariff Sheet No. 12—Capital**  
6 **Riders – EKC**, which is a copy of all three Capital Recovery Riders tariff sheets as  
7 approved in TPUC Docket No. 13-00130, and as modified in TPUC Docket No. 14-00121  
8 and as further clarified in TPUC Docket Nos. 15-00029, 15-00111, 16-00022, 16-00126,  
9 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-00105 and 20-00028.

10 **Q. HOW IS THE PROCESS UNDER THE APPROVED CAPITAL RECOVERY**  
11 **RIDERS DIFFERENT FROM THE PREVIOUS AND HISTORICAL**  
12 **REGULATORY APPROACH WITH RESPECT TO INVESTMENT METHODS?**

13 A. As far as the projects and the investment into those projects are concerned, there isn't any  
14 difference. The difference between the new riders and the future test year regulatory  
15 approach that has been used by TAWC in rate cases is largely in the method and procedure  
16 of filing, the deferral of fully litigated rate cases and the lessening of rate shock, and the  
17 multiple benefits of the streamlined alternative mechanisms. If it were not for the new  
18 alternative regulatory methods available to the Commission and the regulated community,  
19 TAWC would likely have had to file a rate case in 2020 or earlier. These new methods have  
20 deferred the need to file a full rate case, at least in the short term. These petitions make the  
21 regulatory process much more streamlined and less burdensome, without reducing effective  
22 and meaningful regulatory oversight. As intended under the statute and approved by the



Commission, the whole process is more efficient, timely and much less expensive. There is no doubt but that the alternative rate adjustment methods are working.

**Q. IN DOCKET NO. 14-00121, THE TPUC ORDERED CHANGES TO THE ELIGIBLE ITEMS WITHIN THE EDI RIDER. ARE THE ITEMS EXCLUDED BY THE COMMISSION EXCLUDED IN THIS PETITION?**

A. Yes. In Docket No. 14-00121, the TPUC made modifications to the eligible items within the EDI Capital Recovery Rider, removing new services, new meters, and the alternative fuel vehicles. These changes were recognized in Docket No. 15-00111 and are reflected fully in this Petition. TAWC removed those items from the EDI for 2014, 2015, 2016, 2017, 2018, 2019 and 2020.

**Q. IN DOCKET 15-00029, THE TPUC ORDERED THAT GOING FORWARD, TAWC SHOULD FILE WORKPAPERS IN A FORMAT THAT DOESN'T USE ARRAY FORMULAS IN CALCULATIONS, AND FOLLOWS A CLEAR AUDIT TRAIL FOR CALCULATIONS. HAS TAWC DONE THAT IN THIS FILING?**

A. Yes. TAWC prepared the files in an excel workbook similar to what was prepared in Docket Nos. 13-00130 and 14-00121. TAWC then prepared a "Proof" worksheet in the excel file of the tabs that utilized array formulas for calculation, but went through the calculations without array formulas. In the electronic version, the "Proof" worksheets are found at the end of the excel workbook. There are also worksheets that demonstrate the total additions, removals and retirements, and Contributions in the Aid of Construction ("CIAC") for 2020. This is consistent with previous dockets including 15-00029, 15-00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-00105 and 20-00028.

1 **Q. ARE THERE OTHER CHANGES TO THE EXCEL WORKBOOK OR**  
2 **CALCULATIONS FROM THE FILES FROM DOCKET NO. 20-00028?**

3 A. Yes. In addition to any corrections and changes that were carried forward from previous  
4 dockets, Tennessee-American has made the additional calculation adjustments below.  
5 They are as follows:

- 6 1) All prior year's cumulative data is being supported through the last years' final  
7 approved schedules for calendar year 2019 in Docket 20-00028, as stated above.
- 8 2) TAWC has updated the workbook for the 2020 actual numbers and updated all  
9 formulas referencing these amounts.
- 10 3) The repairs percentages for tax year 2019 has been updated from last year's filing to  
11 49.67 for T&D plant and 25.03% for non-T&D.
- 12 4) The repairs percentages for tax year 2020 has been input as 44.42% for T&D plant and  
13 23.83% for non-T&D.
- 14 5) The net operating loss carryforward ("NOLC") has been updated for 2019 & 2020 to  
15 be \$3,797,074 and \$2,023,968, respectively.
- 16 6) The accumulated deferred income tax balance is based on a proration of days for the  
17 year 2020.
- 18 7) The 2020 capitalized incentive amount was included as a reduction to the revenue  
19 requirement.
- 20 8) A couple of one-time, non-recurring items are included on lines 40 and 41.

21 **Q. IN DOCKET NO. 17-00020, TENNESSEE-AMERICAN MADE AN ADJUSTMENT**  
22 **TO THE RECONCILIATION OF THE CAPITAL RECOVERY RIDERS TO**  
23 **REMOVE A PORTION OF REVENUE REQUIREMENT FOR ANNUAL**

1       **PERFORMANCE COMPENSATION IN 2014, 2015 AND 2016. HAS AN**  
2       **ADJUSTMENT FOR ANNUAL PERFORMANCE COMPENSATION BEEN**  
3       **MADE IN THIS CASE?**

4       A.     Yes. Tennessee-American adjusted the proposed 2020 Capital Recovery Riders in Docket  
5       No. 19-00105 to remove the carrying costs for that capitalized Annual Performance  
6       Compensation for 2020. These amounts are included for the 2020 reconciliation on line  
7       20 of the **Petitioner's Exhibit -- Capital Riders Reconciliation – EKC** reducing the  
8       actual revenue requirement the Company should have collected. This is reflected as a  
9       change above.

10      **Q.     HOW HAS THE APPLICATION OF THE EDI RIDER BEEN DIFFERENT FROM**  
11      **THE PREVIOUS INVESTMENT REGULATORY METHODS UTILIZED BY**  
12      **TAWC PRIOR TO THE APPROVAL OF THE RIDERS IN TPUC DOCKET NO.**  
13      **13-00130?**

14      A.     Without the EDI Rider, the projects included in that Capital Recovery Rider may not have  
15      been as successful or potentially would not have developed at all. Under its previous  
16      investment methods for development, TAWC would have required the developers to pay  
17      for the relocation and replacement of assets, thus increasing the upfront costs to them.  
18      Given the amount of the investment, coupled with the growth, jobs, and other positive  
19      attributes attached to these projects, losing one or more of the projects would have been a  
20      disappointment to the communities. These projects demonstrate that the EDI Rider is an  
21      extremely valuable tool that can enhance a community's ability to attract future economic  
22      development opportunities. Successes such as these will help the area gain an upper hand  
23      in the rigid competition among competing communities, which ultimately benefits all of

1 TAWC's customers. For instance, additional water sales have the potential to offset the  
2 ongoing declining use that TAWC has experienced, maintaining a water sales level close  
3 to authorized and thus contribute to cover a portion of the Company's fixed expenses. This  
4 helps maintain lower rates to all of our customers.

5 **Q. HOW IS THE SEC RIDER ALSO DIFFERENT FROM PREVIOUS INVESTMENT**  
6 **METHODS OF INVESTMENT THAT WERE AVAILABLE TO TAWC PRIOR TO**  
7 **THE APPROVAL OF THE RIDERS IN TPUC DOCKET NO. 13-00130?**

8 A. The overall strategy is similar, but an important difference is that the investment is made  
9 through a program that expressly delineates and highlights the reason needed for the  
10 investment. To the extent that additional investments are made for safety and  
11 environmental compliance measures under the SEC Rider, the purpose of the investment  
12 will be more transparent to the customer and to the Commission.

13 **Q. DO THE CAPITAL RECOVERY RIDERS BENEFIT THE CUSTOMERS?**

14 A. Yes. The QIIP, the EDI and the SEC Riders are mutually beneficial to the ratepayers, the  
15 public, and TAWC. The Qualified Infrastructure Program Rider, the Economic  
16 Development Investment Rider, and the Safety and Environmental Compliance Rider, in  
17 part, reduce the need for general rate cases, lessen the occurrence of consumer "rate shock,"  
18 support the maintenance and improvement of essential infrastructure, support opportunities  
19 for successful economic development, growth and job creation, ensure safety and  
20 reliability, and allow for more efficient, streamlined regulation. The ratepayers and the  
21 public benefit from the safety and reliability components and from the more seamless and  
22 timely capital investment in infrastructure, coupled with the related support to economic  
23 development, growth and job creation. The Company benefits from a more efficient,

1 streamlined regulatory process that presents TAWC with the opportunity to timely recover  
2 its expenses and earn a fair rate of return on its investments.

3 **Q. YOU MENTIONED THAT THE COMPANY BENEFITS FROM THE RIDERS**  
4 **BECAUSE THE RIDERS PROVIDE THE COMPANY WITH THE**  
5 **OPPORTUNITY TO TIMELY RECOVER ITS EXPENSES AND EARN A FAIR**  
6 **RATE OF RETURN ON ITS INVESTMENTS. CAN YOU ELABORATE ON**  
7 **THIS?**

8 A. Certainly. The Capital Recovery Riders permit TAWC to recover the cost of capital  
9 investment between rate cases in an efficient, streamlined regulatory process. As outlined  
10 in my testimony here, each year Tennessee-American estimates or forecasts the amount of  
11 qualified capital investment (QIIP), infrastructure investment and eligible expenses (EDI)  
12 and safety and environmental compliance investment and eligible expense (SEC) that it  
13 expects to spend for the upcoming calendar year. The Company will then calculate what  
14 it costs to recover the expenditures associated with such forecasted capital investment and  
15 expenses. For example, if the Company were to invest \$1 million dollars on a QIIP project  
16 in the forecast year, the Company would not recover that entire \$1 million that year.  
17 Rather, it will only recover a return on that investment (which includes a weighted return  
18 on equity and interest on debt as authorized in the most recent rate case), as well as  
19 depreciation expense and taxes. After it calculates what it costs to recover the expenditures  
20 associated with the forecasted capital investment and expenses, Tennessee-American then  
21 determines – through a second calculation – the percentage of the costs to recover those  
22 expenditures as an amount of the overall revenue authorized in the last rate case. This is  
23 the surcharge amount. The surcharge then represents recovery for the costs to support the

1 capital investments. So, under the Capital Recovery Rider tariffs as approved, the monthly  
2 surcharge over 12 months in the forecasted year would represent the annual recovery of  
3 the cost to support the capital investment.

4 The Reconciliation of the Capital Recovery Riders protect both the customers and  
5 Tennessee-American in that it reviews the construction efforts to ensure projects are being  
6 completed as forecasted and determines if revenues are being collected as forecasted. It  
7 essentially allows for a true-up at the end of the 12-month period.

8 **Q. BEFORE THE TPUC APPROVED THE CAPITAL RECOVERY RIDERS, WHAT**  
9 **PROCESS DID TAWC USE TO RECOVER THE EXPENSES ASSOCIATED**  
10 **WITH CAPITAL INVESTMENT AND HAVE THE OPPORTUNITY TO EARN A**  
11 **FAIR RETURN?**

12 A. Regulated utilities cannot increase their rates in Tennessee without approval of the TPUC,  
13 which prior to the passage of the alternative regulation statute required a full rate case  
14 filing. So, TAWC employed general rate cases for appropriate recovery.

15 **Q. IS THERE A DRAWBACK TO RATE CASES?**

16 A. In part, this goes back to my earlier testimony concerning the benefits of the Capital  
17 Recovery Riders to the public. Further, regulated utilities continue to invest money in  
18 infrastructure (utility plant) and expenses may continue to increase in between rate cases.  
19 This “regulatory lag” lessens the opportunity for the Company to earn its authorized return  
20 on equity.

1 **Q. CAN YOU EXPLAIN THE CALCULATION OF THE CAPITAL RECOVERY**  
2 **RIDERS?**

3 A. Yes. As set forth in the approved tariffs, all three Capital Recovery Riders are established  
4 on an annual prospective basis utilizing average end-of-month balances and should reflect  
5 only those qualified plant additions installed after the conclusion of the initial rate year in  
6 Docket No. 12-00049. Consistent with the tariffs, the qualified plant additions are reduced  
7 by the projected retirements associated with the Capital Recovery Riders additions in the  
8 calculation of applicable depreciation and property tax expense. As discussed earlier in my  
9 testimony, the EDI and SEC Riders can be increased by the appropriate operating expenses.  
10 However, TAWC has not included any operating expenses for the EDI or SEC riders in  
11 this Petition. In this case, Tennessee-American is proposing to reconcile the review period  
12 for each of the Capital Recovery Riders beginning on January 1, 2020 and ending on  
13 December 31, 2020.

14 This annual review period was established originally in the tariffs submitted on  
15 March 25, 2014 and approved in Docket No. 13-00130 on April 14, 2014. The tariffs  
16 establish a reconciliation period for each of the Capital Recovery Riders, which will occur  
17 60 days after the close of the attrition period. The attrition period in Docket No. 13-00130  
18 was for January 1, 2014 through December 31, 2014, and the first reconciliation occurred  
19 in Docket No. 15-00029. The attrition periods were to occur in subsequent 12-month  
20 periods after Docket No. 13-00130. As this is the seventh reconciliation filing, this Petition  
21 addresses only the seventh review period of January 1, 2020 through December 31, 2020.  
22 The 2021 Capital Recovery Riders rates are the subject of Docket. 20-00128 and not  
23 included in this Petition.

1           As approved, the Capital Recovery Riders are cumulative and remain in place until  
2           reset back to zero at the conclusion of the Company's next rate case filing, at which point  
3           the capital costs, depreciation and taxes, and other operating expenses approved and  
4           previously recovered through the Capital Recovery Riders are then subsumed within Base  
5           Rates.

6   **Q.    ARE THE RECONCILIATION PORTIONS OF THE SURCHARGE AMOUNT**  
7   **ALSO CUMULATIVE?**

8   A.   No. In the filing in Docket No. 19-00105, Tennessee-American utilized the actual 2014,  
9       2015, 2016, 2017 and 2018 amounts of plant additions. The reconciliation period is only  
10      for 2020, and includes six components: 1) the comparison of actual 2020 plant additions to  
11      the amount forecasted; 2) the comparison of revenues authorized in 2020 with the revenues  
12      actually collected from customers; 3) the 2019 reconciliation amount as authorized in  
13      Docket No. 20-00028, 4) an earnings adjustment based on a comparison of 2020 earnings  
14      with the authorized earnings from Docket No. 12-00049; 5) the capitalized Annual  
15      Performance Plan (APP) reduction for the year of 2020, and 6) interest on the difference.

16   **Q.    CAN YOU DISCUSS DETAILED SPECIFICS TO THE OPERATION OF THE**  
17   **CAPITAL RECOVERY RIDERS NOT ADDRESSED ABOVE?**

18   A.   Yes. TAWC utilizes an annual prospective approach to the utility plant additions that  
19      qualify for recovery through the Capital Recovery Riders. The Capital Recovery Riders  
20      provide for the recovery of revenue sufficient to cover the capital cost, depreciation and  
21      tax expense related to the projected investment in qualified utility plant. These costs  
22      consider the effects of associated retirements ("Net Plant"), CIAC, and Cost of Removal  
23      Spending net of Salvage value for the attrition period. To determine the rate of return



1 recovery, an average of the month-end balances of new utility plant in service is averaged  
2 calculated, less  $\frac{1}{2}$  of the anticipated annual associated CIAC, plus  $\frac{1}{2}$  of the anticipated  
3 annual associated cost of removal net of salvage spending, to derive the “Net Plant”  
4 amount. As discussed in Docket No. 16-00022, in the first year TAWC used a 12-month  
5 average to calculate the Capital Recovery Riders, representing all of the activity within the  
6 12 months of the attrition period. Beginning in the second year, TAWC used a 13-month  
7 average from the end of the previous year through the end of the attrition period. The  
8 current approved pre-tax rate of return (“PTR”) is applied to this net amount to determine  
9 the revenue requirement of the rate base portion. The PTR is calculated from the weighted  
10 common equity and preferred equity, grossed up to include state and federal taxes, plus the  
11 weighted cost of long-term debt and the weighted cost of short-term debt. Next, the annual  
12 depreciation expense of the additional Net Plant is calculated (“NetDep”), utilizing the  
13 current TPUC approved depreciation rates by account and then added. From there,  
14 incremental new property and Franchise taxes (“PFT”) is added. For the EDI Rider and  
15 SEC Rider, additional operating expenses would be added as appropriate. The sum of these  
16 components are grossed up to include the recovery of the associated additional Gross  
17 Receipts taxes, Uncollectible expense, and forfeited discounts (“RT”) to derive the final  
18 revenue requirement. Then, any over or under Capital Recovery Riders collection of prior  
19 periods would be added or subtracted as applicable (“R”). The purpose of this Petition  
20 specifically is to address the over or under Capital Recovery Riders collection for the  
21 review period of 2020. This total is then divided by the authorized annual level of general  
22 metered service and private fire service customer revenues (“PAR”) from the prior docket

(Docket No. 12-00049), i.e. not including any other revenues, to render each of the new Capital Recovery Rider percentages.

**Q. HAVE YOU INCLUDED THE CALCULATION OF THE THREE CAPITAL RECOVERY RIDERS IN THE PETITION?**

A. Yes. I have attached an exhibit that reflects the calculation of each of the three Capital Recovery Riders reconciliation percentage individually and in total. The calculation of the reconciliation percentage for each rider is attached to my testimony as **Petitioner's Exhibit – Capital Riders Reconciliation – EKC**. The detailed calculations are attached to the Petition in the workpapers. The calculations are consistent with the calculations that were made in the approved tariffs in Docket Nos. 13-00130, 14-00121, 15-00111, 16-00126, 17-00124, 18-00120, 19-00105 and 20-00128, as well as the reconciliations of Docket Nos. 15-00029, 16-00022, 17-00020, 18-00022, 19-00031 and 20-00028. Further, to assist in the streamlined regulatory process, TAWC is including with the Petition its detailed workpapers supporting the calculation of the three Capital Recovery Riders. Again, these workpapers are consistent with the calculations made to support the approved tariffs in Docket Nos. 13-00130, 14-00121, 15-00111, 16-00126, 17-00124, 18-00120, 19-00105 and 20-00128. The workpapers are also consistent with the calculations made to support the reconciliations in TPUC Docket Nos. 15-00029, 16-00022, 17-00020, 18-00022, 19-00031 and 20-00028.

1 **Q. HAS TAWC INCLUDED DETAILED INFORMATION REGARDING THE**  
2 **PROJECTS THAT MAKE UP EACH OF THE PROPOSED CAPITAL**  
3 **RECOVERY RIDERS?**

4 A. Yes. Company Witness Kurt Stafford will discuss the details regarding capital  
5 expenditures included in the QIIP, EDI and SEC Riders for 2020.

6 **Q. HOW ARE THE QIIP, EDI, AND SEC RIDER REVENUES RECOVERED?**

7 A. The QIIP, EDI and SEC Riders are expressed as a percentage. The current tariff Twenty-  
8 Second Revised Sheet No. 12 – Riders – 1 is attached to my testimony as **Petitioner's**  
9 **Exhibit – Current Tariff Sheet No. 12 – Riders – EKC**, and the proposed tariff sheet  
10 Twenty-Fourth Revised Sheet No. 12 – Riders – 1 is attached to my testimony as  
11 **Petitioner's Exhibit – Proposed Sheet No. 12 – Riders – EKC**. They are each applied  
12 to the total amount billed to each customer under the otherwise applicable rates and charges  
13 for basic service, metered usage charges, and private fire charges, and are applied prior to  
14 the inclusion of any other taxes, charges, or surcharges. All three Capital Recovery Riders  
15 are combined into one line item on the bill of each customer along with the reconciliation  
16 amounts.

17 **Q. HAS TAWC INCLUDED A CHART SHOWING THE PROGRESSION OF THE**  
18 **APPROVED RIDERS IN EACH DOCKET SINCE THE LAST RATE CASE?**

19 A. Yes. I have included a chart reflecting each of the annual approvals with this filing. This  
20 is shown as **Petitioner's Exhibit – Annual Approved Tariffs – EKC**.

21 **Q. WHAT WILL HAPPEN TO THE CAPITAL RECOVERY RIDERS UPON**  
22 **APPROVAL OF NEW RATES IN A RATE CASE PROCEEDING?**  
23

1 A. The QIIP, EDI, and SEC Riders will all be reset to zero as of the effective date of the new  
2 Base Rates, which Base Rates then provide for the recovery of the annual costs that had  
3 theretofore been recovered through the Capital Recovery Riders. Thereafter, and  
4 consistent with the tariffs, only the new QIIP, EDI, and SEC Rider qualified plant additions  
5 and expenses not previously included in rate base and Base Rates will be reflected in the  
6 future filings subject to TPUC Approval.

7 **Q. WHAT COST OF CAPITAL IS UTILIZED IN THE FORMULA OF THE**  
8 **CAPITAL RECOVERY RIDERS?**

9 A. The cost of capital is the established rate of return (on a pre-tax basis) in the Company's  
10 immediately preceding Base Rate case Order, currently TPUC Docket No. 12-00049.

11 **Q. WHAT DEPRECIATION RATES ARE USED TO DETERMINE THE**  
12 **DEPRECIATION EXPENSE RECOVERED BY THE QIIP, EDI AND SEC**  
13 **RIDERS?**

14 A. The depreciation rates last approved by the TPUC in Docket 12-00049 for the respective  
15 plant accounts in which the specific items of qualified infrastructure under each rider are  
16 recorded are the depreciation rates used to determine the depreciation expense. New  
17 depreciation rates would be used only after depreciation rates are changed during a general  
18 rate proceeding. These are the rates that were used in Docket Nos. 13-00130, 14-00121,  
19 15-00029, 15-00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-  
20 00031, 19-00105, 20-00028 and 20-00128.

21 **Q. WHAT PROPERTY TAX RATE IS USED TO DETERMINE THE PROPERTY**  
22 **TAX EXPENSE RELATED TO THE ADDITIONAL INVESTMENT TO BE**  
23 **RECOVERED BY THE QIIP, EDI AND SEC RIDERS?**

1    **A.**     The property tax rate is based on the proportion of property taxes authorized in Docket No.  
2           12-00049 to the utility plant in service, multiplied by the additional utility plant less  
3           retirements. This is the same rate used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-  
4           00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-  
5           00105, 20-00028 and 20-00128.

6    **Q.     HOW ARE ANNUAL REVENUES DETERMINED FOR THE QIIP, EDI AND SEC**  
7           **RIDERS?**

8    **A.**     The projected annual revenues will be the authorized water services revenues from the last  
9           case, Docket No. 12-00049, including all service charges and volumetric charges for all  
10          classes that are subject to the Capital Recovery Riders. These are the same annual revenues  
11          used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-00111, 16-00022, 16-00126, 17-  
12          00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-00105, 20-00028 and 20-00128.

13   **Q.     HAS TENNESSEE-AMERICAN INCLUDED ANY OPERATING EXPENSES IN**  
14          **THE CURRENTLY PROPOSED EDI RIDER OTHER THAN THE**  
15          **DEPRECIATION AND TAX EXPENSES?**

16   **A.**     No. In the tariffs approved in Docket No. 13-00130, TAWC included expenses related to  
17          specific economic development within the community as a component of the EDI Rider  
18          and operating expenses related to specific investment in the SEC Rider. However, in  
19          Docket No. 14-00121, the operating expenses related specifically to TAWC contributions  
20          to economic development agencies were not approved by the TPUC. In that same Docket,  
21          TAWC removed proposed SEC Rider operating expenses, as those expenses would be  
22          captured in the PCOP. Other types of operating expenses related to economic development  
23          or the SEC Rider are not included in this current Petition, but TAWC will continue to

1 review and evaluate potential and appropriate operating expenses for the EDI and SEC  
2 Riders and submit them for consideration as appropriate.

3 **Q. HAS TENNESSEE-AMERICAN INCLUDED ANY OPERATING EXPENSES IN**  
4 **THE CURRENTLY PROPOSED SEC RIDER OTHER THAN THE**  
5 **DEPRECIATION AND TAX EXPENSES?**

6 A. No.

7 **Q. DID THE AMOUNT OF INVESTMENT RIDER REVENUES COLLECTED**  
8 **FROM TENNESSEE-AMERICAN'S CUSTOMERS VARY FROM THE ACTUAL**  
9 **AMOUNT OF REVENUE NEEDED TO COVER A RETURN OF AND A RETURN**  
10 **ON THE COMPANY'S QIIP, EDI AND SEC INFRASTRUCTURE INVESTMENT**  
11 **AND TAXES?**

12 A. Yes. There were two things that varied during 2020. First, there was a difference between  
13 the actual and the allowed water operating revenues upon which the Capital Recovery  
14 Riders are based. Second, the 13-month average net plant investment and the annualization  
15 for depreciation for 2020 were actually more than projected.

16 **Q. CAN YOU EXPLAIN THE DIFFERENCE BETWEEN THE ACTUAL AND**  
17 **ALLOWED WATER OPERATING REVENUES UPON WHICH THE CAPITAL**  
18 **RECOVERY RIDERS ARE BASED?**

19 A. Yes. The projected annual revenues were calculated based on the authorized amount of  
20 sales in Docket No. 12-00049. The overall sales in 2020 were less than the amount  
21 authorized in Docket No. 12-00049. Therefore, the Capital Recovery Riders, which are a  
22 percentage of water charges, were less than authorized. What this means in practical terms

1 is that there were less water sales to apply the percentage to, resulting in less actual  
2 revenues billed for the Capital Recovery Riders than were authorized.

3 **Q. WHY WERE THE AVERAGE CAPITAL EXPENDITURES FOR 2020 LESS**  
4 **THAN PROJECTED?**

5 A. Mr. Stafford discusses the management of the 2020 Capital Expenditures Plan in detail.  
6 There was no single project that created the variance, but a series of projects that were all  
7 appropriately approved and modified throughout 2020 and prior.

8 **Q. AS A REGULATORY SAFEGUARD TO CONSUMERS AND TO SERVE THE**  
9 **PUBLIC INTEREST, DOES EACH OF THE CAPITAL RECOVERY RIDERS**  
10 **INCLUDE A RECONCILIATION MECHANISM IN THE EVENT THAT THE**  
11 **LEVEL OF INVESTMENT, EXPENSE, OR REVENUE APPROVED VARIES**  
12 **FROM THE ACTUAL COSTS?**

13 A. Yes. As discussed earlier, the QIIP, EDI and SEC Riders are all subject to an annual  
14 reconciliation or true-up in which the revenue received under each of the Capital Recovery  
15 Riders for the reconciliation period will be compared to the revenue necessary for the  
16 Company to recover its return of and return on investment plus taxes, for that QIIP, EDI  
17 and SEC Rider year. As I stated earlier, this Petition is only for the reconciliation to the  
18 2020 QIIP, EDI and SEC. The 2021 proposed QIIP, EDI and SEC riders are included as  
19 Docket No. 20-00128 and are not included in this Petition.

20 **Q. HOW DOES THE RECONCILIATION WORK?**

21 A. Consistent with the approved tariffs, Tennessee-American has filed a reconciliation for all  
22 three Capital Recovery Riders no later by March 1, 2021. There are actually two steps to  
23 the reconciliation. The first is an adjustment for budget to actual investment. This is a

1 regulatory oversight and public interest component of the mechanism that results in a true-  
2 up if the investment does not occur (up or down) as forecasted. The second is an adjustment  
3 for the over or under recovery of revenues as projected, including interest. This is another  
4 regulatory oversight and public interest component of the mechanism. In this way, the  
5 consumers are protected from paying too much if sales exceed the amount authorized in  
6 the previous rate case proceeding. This could occur if there is a significant amount of  
7 customer growth, or if dry and hot conditions occur in any given year. This second  
8 adjustment also allows TAWC to adjust if sales are less than the amount authorized in the  
9 last case, as could occur with declining usage that TAWC has experienced in recent years.  
10 The reconciliation percentage, pending approval by April 1, 2021, as contemplated in the  
11 tariffs, will be applied to customer bills for 9 months in 2021.

12 Finally, there is also a consumer safeguard in the reconciliation process that reviews  
13 the earnings for Tennessee-American during the attrition period. If it is determined that  
14 Tennessee-American earned a rate of return above the authorized amount from the previous  
15 rate case during the attrition period, the amount above the authorized is applied as an  
16 adjustment to the customers, with interest. This could occur if sales exceed the amount  
17 authorized in the previous rate case due to significantly hot and dry conditions, as were  
18 experienced in 2016.

19 **Q. WHAT ARE THE RESULTS FOR THE SIXTH ADJUSTMENT OF THE ACTUAL**  
20 **COMPARED TO THE BUDGET?**

21 A. The amount of average actual in-service capital investment was lower than the projected  
22 levels in Docket No. 19-00105. This is shown on the **Petitioner's Exhibit -- Capital**  
23 **Riders Reconciliation – EKC** attached to my testimony at Line 1. This is due primarily



1 to the timing of when eligible TAWC projects were placed in-service. Actual capital  
2 spending was less in 2020 as discussed in Mr. Stafford's testimony. As demonstrated in  
3 the exhibit, TAWC had an average balance of plant additions of \$101,130,471 in service  
4 under the capital recovery riders, compared to \$101,854,987 budgeted. Overall, the  
5 amount of the revenue requirement for the calendar year 2020 was more than originally  
6 projected in the riders. As shown on Line 22 of the same exhibit, the actual revenues  
7 required was \$12,145,071 while the projected amount was \$11,397,732.

8 **Q. DID TENNESSEE-AMERICAN COLLECT ALL OF THE REVENUES**  
9 **AUTHORIZED FOR THE CAPITAL RECOVERY RIDERS SURCHARGES IN**  
10 **2020 FROM DOCKET NO. 19-00105?**

11 A. No, it did not. That revenue difference is also included in this Petition filing and is shown  
12 on the Petitioner's Exhibit -- Capital Riders Reconciliation -- EKC attached to my  
13 testimony at Line 27.

14 **Q. WAS TENNESSEE-AMERICAN ABLE TO RETURN ALL OF THE REVENUES**  
15 **AUTHORIZED FOR THE CAPITAL RECOVERY RIDERS RECONCILIATION**  
16 **COMPONENT IN 2020 FROM DOCKET NO. 20-00028?**

17 A. Yes. That is shown on the Petitioner's Exhibit -- Capital Riders Reconciliation -- EKC  
18 attached to my testimony at Line 29.

19 **Q. BASED ON THE LOWER THAN EXPECTED WATER SALES, WHAT ARE THE**  
20 **RESULTS FOR THE SIXTH ADJUSTMENT FOR OVER/UNDER REVENUE**  
21 **BILLINGS?**

22 A. The revenues billed were \$9,681,424, which includes the surcharge credits from Docket  
23 No. 20-00028 on line 29, and the combined revenues authorized for 2020 were \$9,956,641,

1 leaving \$275,218 less than authorized. Water sales and revenues were less than the base  
2 amount authorized in Docket No. 12-00049. Additionally, Tennessee-American has lost  
3 two Sales for Resale customers since Docket No. 12-00049.

4 **Q. WHAT PURPOSE DOES THE EARNINGS TEST ADJUSTMENT SERVE AS**  
5 **PART OF THE TARIFF?**

6 A. As developed by the parties in TPUC Docket No. 13-00130, and as approved by the  
7 Commission, the tariffs include a number of inherent safeguards and protections. For  
8 instance, the oversight and safeguards set forth within the tariffs guard against the  
9 occurrence of a rise of net operating income for TAWC as revenue requirements would  
10 increase annually without a general rate case to review all revenues, expenses and  
11 investment. This might occur, for instance, if there were an operational improvement that  
12 reduced expenses or created additional income, drought conditions that result in  
13 significantly higher water sales, or significant growth that leads to much higher water sales  
14 and revenues. In order to provide for sufficient oversight, the Capital Recovery Riders  
15 tariffs include an earnings test adjustment. The Earnings Test determines if the Company's  
16 attained earnings for the review period exceed the earnings allowed for the Annual Review  
17 Period by applying the overall rate of return authorized in the last rate case. If the earnings  
18 attained exceed that amount, then the revenues will be reduced by that same amount, with  
19 interest, referred to as the Earnings Test Adjustment.

1 **Q. DID TENNESSEE-AMERICAN EARNINGS EXCEED THE AUTHORIZED**  
2 **AMOUNT FROM DOCKET NO. 12-00049?**

3 A. No. Tennessee-American earned a lower rate of return than the authorized 7.23% from  
4 Docket No. 12-00049.

5 **Q. CAN YOU EXPLAIN HOW TENNESSEE-AMERICAN CALCULATED THE**  
6 **EARNINGS TEST ADJUSTMENT?**

7 A. Yes, I can. Tennessee-American used a straightforward approach. Each month, Tennessee-  
8 American files with the TPUC a monthly report regarding its monthly earnings, and 12-  
9 month earnings. Tennessee-American utilized the information provided in each monthly  
10 report as discussed above, and calculated a rate of return using a 13-month average of the  
11 rate base calculation, as was utilized in Docket No. 17-00020. As of the end of December  
12 2020, the 13-month earnings were 7.21%, which is below the authorized 7.23% from  
13 Docket No. 12-00049. This is reflected on Line 30 of **Petitioner's Exhibit – Capital**  
14 **Riders Reconciliation – EKC**. The Earnings Test Adjustment results in a zero adjustment  
15 to the reconciliation revenues.

16 **Q. YOU ALSO INDICATED THAT TAWC HAS NOT FILED ANYTHING IN THIS**  
17 **PETITION TO INCLUDE THE RECONCILIATION OF THE PRODUCTION**  
18 **COSTS AND OTHER PASS-THROUGHS RIDER. WHY IS TAWC NOT**  
19 **INCLUDING THE PCOP RECONCILIATION IN THIS PETITION?**

20 A. The PCOP differs from the Capital Recovery Riders, in that at the end of a year, it looks at  
21 the historical period and compares the actual production expenses to the amount of  
22 production expenses authorized in the previous rate case. It then applies an adjustment

over the next year to account for any differences between the two amounts, either over or under the authorized amount. The table below summarizes the PCOP details:

Docket	Review Period	Status
	December 1, 2012 – November 30, 2013	Authorized
15-00001	December 1, 2013 – November 30, 2014	Authorized
15-00131	December 1, 2014 – November 30, 2015	Authorized
16-00148	December 1, 2015 – November 30, 2016	Authorized
18-00009	December 1, 2016 – November 30, 2017	Authorized
19-00010	December 1, 2017 – November 30, 2018	Authorized
20-00008	December 1, 2018 – November 30, 2019	Authorized
21-00006	December 1, 2019 – November 30, 2020	Pending

**Q. DOES THE PCOP HAVE A TWO-STEP RECONCILIATION PROCESS?**

A. Yes. Similar to the Capital Recovery Riders, the PCOP reconciliation has 1) a reconciliation of the actual expenses in the historical review period to the authorized levels in the previous rate case; and 2) a reconciliation of the implementation of the PCOP during that same historical review period. In Docket No. 15-00001, the TPUC approved a single reconciliation of the PCOP.

**Q. WHAT IS THE STATUS OF THE PCOP RECONCILIATION?**

A. TAWC filed the reconciliation on the PCOP Rider on January 15, 2021. New PCOP rates are pending in Docket No. 21-00006.

**Q. WHAT IS THE PROPOSED ADJUSTED QIIP RIDER?**

A. TAWC is proposing a QIIP Rider that results in revenue recovery of \$936,467 for nine months of 2021 year or a surcharge of 2.65%.

**Q. HAS TENNESSEE-AMERICAN FILED A TARIFF ADDRESSING THE PROPOSED QIIP RIDER?**

A. Yes. A new tariff Twenty-Fourth Revised Sheet No. 12 – Riders – 1 reflects all three Capital Recovery Riders and is attached to my testimony as **Petitioner’s Exhibit -- Proposed Sheet No. 12- Riders - EKC.**

1 **Q. WHAT IS THE PROPOSED EDI RIDER?**

2 A. TAWC is proposing an EDI Rider that results in a total revenue refund of (\$174,802) for  
3 nine months of 2021 year or a surcharge of -0.50%. Again, this is shown on the new tariff  
4 Twenty-Fourth Revised Sheet No. 12 – Riders – 1 which reflects all three Capital Recovery  
5 Riders and is attached to my testimony as **Petitioner’s Exhibit -- Proposed Sheet No. 12-**  
6 **Riders - EKC.**

7 **Q. WHAT IS PROPOSED SEC RIDER?**

8 A. TAWC is proposing an SEC Rider that results in a total revenue recovery of \$277,509 for  
9 nine months of 2021 year or a surcharge of .79%. Again, this is shown on the new tariff  
10 Twenty-Fourth Revised Sheet No. 12 – Riders – 1 which reflects all three Capital Recovery  
11 Riders and is attached to my testimony as **Petitioner’s Exhibit -- Proposed Sheet No. 12-**  
12 **Riders - EKC.** The sum of the three riders is an increase of 2.94% on the current base bill.

13 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL?**

14 A. The typical residential customer living in the City of Chattanooga, and using an average of  
15 4,154 gallons per month will see an increase in their bill of \$0.63 per month, or \$5.70 in  
16 2021. I am also providing a table reflecting the detailed changes for each Capital Recovery  
17 Rider, including the reconciliations. This is attached to my testimony as **Petitioner’s**  
18 **Exhibit – Annual Approved Tariffs – EKC.**

19 **Q. WHAT INFORMATION IS REQUIRED IN THE TARIFF TO BE INCLUDED IN**  
20 **THE ANNUAL RECONCILIATION FILING?**

21 A. Each tariff states that the Company will include in its Annual Reconciliation Filing the  
22 following information at a minimum: (a) a schedule of all journal entries made related to  
23 this Rider for the Annual Review Period, including any related general ledger support, (b)

1 actual billing determinants by month as used in the computation of the Total Collected  
2 from Customers for the Annual Review Period, (c) capitalization policy effective for the  
3 Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage  
4 Rate, including the detailed calculation of each component, (e) schedules of the Actual  
5 Investment Amount and Actual Operational Expense, including related general ledger  
6 support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative  
7 statement of whether the Company is aware of any changes in market conditions or other  
8 factors that may affect whether the Rider is still in the public interest, including the  
9 identification of such factors if they exist, and (h) the cumulative amount collected from  
10 customers.

11 **Q. HAS TAWC PROVIDED THE INFORMATION IN THIS PETITION FILING**  
12 **THAT IS REQUIRED FOR THE QIIP, EDI AND SEC TARIFFS?**

13 A. Yes. In order to provide this information, (a) TAWC has provided in the workpapers all  
14 of the general ledger transactions for all of the capital expenditures in the capital recovery  
15 riders; (b) TAWC has provided the billing determinants by month from January 2020 to  
16 December 2020 in the workpapers; (c) a copy of the capitalization policy effective for the  
17 Annual Review Period was filed in Docket No. 15-00029 and has not been revised since  
18 that filing and is referenced; (d) TAWC has provided a computation of the Annual  
19 Reconciliation Factor Percentage Rate attached as **Petitioner's Exhibit – Capital Riders**  
20 **Reconciliation – EKC** and has provided the detailed calculation of each component in the  
21 workpapers along with an explanation of the workpaper calculation; (e) TAWC has  
22 provided schedules of the Actual Investment Amount including the detailed general ledger  
23 support for each of the riders in the workpapers however there were no Actual Operational

1 Expenses in 2020; (f) TAWC has not included any proposed prior period adjustments other  
2 than removing items in 2020 for the EDI rider consistent with the Orders in Docket Nos.  
3 14-00121 and 15-00029 as well as the Annual Performance Compensation adjustment  
4 approved as part of Docket No. 17-00124; (g) I discuss whether the Company is aware of  
5 any changes in market conditions or other factors that may affect whether the Rider is still  
6 in the public interest, including the identification of such factors if they exist; and (h)  
7 TAWC has provided the cumulative amount collected from customers on the **Petitioner's**  
8 **Exhibit -- Capital Riders Reconciliation -- EKC** along with the detailed information of  
9 the amount of revenues collected from customers for each of the capital recovery riders in  
10 the workpapers.

11 **Q. HAS TENNESSEE-AMERICAN PROVIDED INVOICES FOR ALL OF THE**  
12 **CAPITAL EXPENDITURES INCLUDED IN THE CAPITAL RECOVERY**  
13 **RIDERS?**

14 A. No. TAWC has provided the detailed general ledger information for all transactions on all  
15 projects in the workpapers, and summarized the type of expenses for each rider in  
16 **Petitioner's Exhibit -- Capital Rider Charges Summary -- EKC**. Although individual  
17 invoices are available for some contract services under some projects, TAWC uses a  
18 purchase order system under blanket contracts that provides for billing for multiple projects  
19 on one invoice. Further, TAWC uses purchase orders for materials, bringing materials in  
20 and out of stock inventory on an average cost basis. Some material held in inventory may  
21 have been purchased in previous years and tracing those items to specific invoices or  
22 purchase order receipts will be extremely challenging. Finally, invoices for all projects  
23 would result in an extremely large filing that may contain more information than is feasible

1 to review. TAWC has provided a summary of the work order detail of expenses in  
2 **Petitioner's Exhibit -- Work Order Detail Summary – EKC**. TAWC has filed this  
3 similar to Docket Nos. 16-00022, 17-00020, 18-00022, 19-00031 and 20-00028, and fully  
4 anticipates filing sample documentation during the discovery process. It is important to  
5 develop a technique or process that provides adequate levels of assurance that TAWC  
6 continues to implement its construction program in the most cost effective manner for its  
7 customers while not developing a technique or process that becomes overwhelming or  
8 inefficient for all parties involved in the reconciliation process.

9 **Q. IS THE COMPANY AWARE OF ANY CHANGES IN MARKET CONDITIONS**  
10 **OR OTHER FACTORS THAT MAY AFFECT WHETHER THE QIIP RIDER,**  
11 **THE EDI RIDER AND THE SEC RIDER ARE STILL IN THE PUBLIC**  
12 **INTEREST?**

13 A. No, the Company is not aware of any changes in market conditions or other factors that  
14 affect whether the QIIP Rider, the EDI Rider and the SEC Rider are still in the public  
15 interest. Tennessee-American believes that the QIIP Rider, the EDI Rider and the SEC  
16 Rider are all still in the public interest. Tennessee-American understands that the purpose  
17 of the legislation was, in part, to encourage an increase in certain types of infrastructure  
18 investment and recovery by utilities, while reducing the costs to consumers and utilities for  
19 regulatory review and implementation, and promoting rate gradualism for consumers. The  
20 market conditions are consistent with the conditions at the time that the Capital Recovery  
21 Riders were approved, with a continued need to increase infrastructure replacement and  
22 meet environmental compliance needs on a timely basis.



1   **Q.     ARE THE QIIP RIDER, THE EDI RIDER AND THE SEC RIDER STILL IN THE**  
2   **PUBLIC INTEREST?**

3   A.    Yes. As I noted at the outset herein, and as outlined by TAWC in much detail and with  
4   supporting documentation TPUC Docket No. 13-00130, the QIIP, the EDI and the SEC  
5   Riders are mutually beneficial to the ratepayers, the public, and TAWC. Among other  
6   things, the Capital Recovery Riders reduce the need for general rate cases, lessen the  
7   occurrence of consumer “rate shock,” support the maintenance and improvement of  
8   essential infrastructure, support opportunities for successful economic development,  
9   growth and job creation, ensure safety and reliability, and allow for more efficient,  
10   streamlined regulation. The ratepayers and the public benefit from the safety and reliability  
11   components and from the more seamless and timely capital investment in infrastructure,  
12   coupled with the related support to economic development, growth and job creation. The  
13   Company benefits from a more efficient, streamlined regulatory process that presents  
14   TAWC with the opportunity to timely recover its expenses and earn a fair rate of return on  
15   its investments. Without the approved alternative rate mechanisms pursuant to Tenn. Code  
16   Ann. Section 65-5-103 *et. seq.*, and specifically without the Capital Recovery Riders,  
17   TAWC would be preparing another general rate case. Tennessee-American understands  
18   that the purpose of the alternative regulatory mechanisms legislation — Tenn. Code Ann. §  
19   65-5-103 *et. seq.*, — was, in part, to encourage an increase in certain types of infrastructure  
20   investment and recovery by utilities, while reducing the costs to consumers and utilities for  
21   regulatory review and implementation, and promoting rate gradualism for consumers.  
22   TAWC believes the approved Capital Recovery Riders are achieving that goals.

1           As reflected in the evidentiary record in TPUC Docket No. 13-00130 the US  
2       Environmental Protection Agency and the American Society of Civil Engineers have  
3       published reports regarding the significant capital needs for water and wastewater  
4       infrastructure in the United States, including here in Tennessee. These and/or similar  
5       reports were updated by TAWC in TPUC Docket No. 18-00120. Kurt Stafford also  
6       provides a current update on water and wastewater infrastructure capital needs in his  
7       testimony. A substantial portion of TAWC's distribution infrastructure is between 50 and  
8       100 years old, and TAWC needs to continue to invest in replacing its infrastructure in order  
9       to meet its obligation to provide safe, reliable drinking water to its customers. The QIIP  
10      Rider is assisting TAWC in responsibly and strategically addressing the systems'  
11      infrastructure replacement needs, while helping to increase the time between rate cases and  
12      reducing the cost of rate cases to its Customers. As testified to by Kurt Stafford, TAWC  
13      has strategically focused its efforts on mains with the highest maintenance concerns.

14     As reflected in the evidentiary record in TPUC Docket No. 14-00121, the presence of the  
15     new Coca Cola facility in Chattanooga, along with the accompanying jobs and other  
16     associated community and public benefits, shows that the EDI Rider is working as intended  
17     by the Tennessee General Assembly. Kurt Stafford also addresses other significant and  
18     more recent EDI projects under the Capital Riders in his testimony. Moreover, the  
19     Company's cooperative and coordinated efforts with the City of Chattanooga to timely  
20     address crucial safety, health and reliability issues, including those identified in the US  
21     Environmental Protection Agency's April 2013 Consent Decree issued to the City of  
22     Chattanooga requiring improvements to the City's sanitary sewer system, demonstrates  
23     that the SEC Rider is serving our Customers and the public interest as anticipated.

1 As it pledged to do when it first submitted the Capital Recovery Riders for review and  
2 consideration by the agency in TPUC Docket No. 13-00130, TAWC has been able to  
3 partner with the community to promote economic development, which we believe to be  
4 consistent with Tenn. Code Ann. § 65-5-103 *et. seq.*, consistent with the approved QIIP  
5 Rider, EDI Rider, and SEC Rider, and in the public interest. Under the Commission's  
6 oversight and within the safeguards set forth in the approved tariffs, TAWC has been able  
7 to increase infrastructure replacement and meet environmental compliance needs on a  
8 timely basis, which we believe to be in the public interest.

9 **Q. WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**

10 A. I recommend that the Petition be approved for the increase in the QIIP, EDI and SEC  
11 Riders, effective April 1, 2021 through December 31, 2021.

12 **Q. WHY IS THE COMPANY RECOMMENDING THAT THE REVISED TARIFFS**  
13 **SUBMITTED WITH THIS PETITION BECOME EFFECTIVE ON APRIL 1?**

14 A. TAWC would like to implement the reconciliation as authorized in the tariff in a timely  
15 and efficient manner as soon as possible.

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes. I reserve the ability to submit further testimony as is appropriate.  
18

Tennessee American Water Company  
 Qualified Infrastructure Improvement Program Rider (QIIP)  
 Economic Development Investment Rider (EDI)  
 Safety and Environmental Compliance Rider (SEC)  
 Reconciliation of the Calculation of Revenue Requirement  
 As of 12/31/2020

Line Number	Description	Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2020			Economic Development Investment EDI Average YTD 12/31/2020			Safety and Environmental Compliance SEC Average YTD 12/31/2020			Total Average YTD 12/31/2020		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$62,350,731	\$61,042,389	\$1,308,343	\$3,333,421	\$4,897,499	(\$1,564,079)	\$35,446,319	\$35,915,099	(\$468,780)	\$101,130,471	\$101,854,987	(\$724,516)
2	Plus: Cost of Removal less Salvage	10,616,845	8,979,803	1,637,042	2,021	933	1,088	3,821,246	3,621,793	199,453	14,440,112	12,602,529	1,837,583
3	Less: Contributions in Aid to Construction (CIAC)	2,312,697	2,300,403	12,294	128,439	58,274	70,165	0	0	0	2,441,136	2,358,677	82,459
4	Less: Deferred Income Taxes	7,820,953	8,206,197	(385,244)	199,221	274,937	(75,716)	4,622,706	4,818,563	(195,857)	12,642,880	13,299,697	(656,817)
5	Less: Accumulated Depreciation	3,897,577	3,501,288	396,289	96,356	117,977	(21,621)	3,076,391	2,949,109	127,282	7,070,324	6,568,374	501,950
6	Net Investment Supplied Additions:	\$58,936,350	\$56,014,304	\$2,922,046	\$2,911,425	\$4,447,244	(\$1,535,819)	\$31,568,469	\$31,769,220	(\$200,752)	\$93,416,244	\$92,230,768	\$1,185,476
7													
8	Pre-Tax Authorized Rate of Return:	8.45%	8.45%		8.45%	8.45%		8.45%	8.45%		8.45%	8.45%	
9	Pre-Tax Return on Additions:	\$4,980,978	\$4,734,022	\$246,955	\$246,058	\$375,857	(\$129,799)	\$2,667,994	\$2,684,961	(\$16,966)	\$7,895,029	\$7,794,840	\$100,190
10													
11	Depreciation Expense on Additions:	1,515,622	1,086,583	429,039	45,665	77,211	(31,547)	1,054,961	878,992	175,968	2,616,247	2,042,787	573,461
12													
13	Property and Franchise Taxes Associated:	762,017	692,955	69,063	45,045	66,157	(21,112)	448,308	446,418	1,890	1,255,370	1,205,529	49,841
14													
15	Revenues:	7,258,617	6,513,560	745,057	336,767	519,225	(182,458)	4,171,263	4,010,371	160,892	11,766,647	11,043,155	723,492
16													
17	Revenue Taxes	3.19%	3.19%		3.19%	3.19%		3.19%	3.19%		3.19%	3.19%	
18	Capital Riders Revenues with Revenue Taxes	7,497,874	6,728,259	769,615	347,868	536,339	(188,472)	4,308,755	4,142,560	166,195	12,154,497	11,407,158	747,339
19													
20	APP Revenue Reduction	(4,558)	(4,558)		(168)	(168)		(4,700)	(4,700)		(9,426)	(9,426)	
21													
22	Total Capital Riders Revenues with Revenue Taxes & APP	\$7,493,316	\$6,723,700	\$769,615	\$347,700	\$536,171	(\$188,472)	\$4,304,056	\$4,137,860	\$166,195	\$12,145,071	\$11,397,732	\$747,339
23													
24													
25	Actual Capital Riders Revenues Billed	\$5,755,127			\$339,975			\$3,586,321			\$9,681,424		
26													
27	(Over)/Under Capital Riders Revenue Billings	968,574			196,196			551,539			1,716,308		
28	Budget to Actual Adjustment	769,615			(188,472)			166,195			747,339		
29	2019 Reconciliation Amount	(816,696)			(179,731)			(444,662)			(1,441,090)		
30	Earnings Test Adjustment	0			0			0			0		
31	Interest (Prime - 3.25%)	14,974			(2,795)			4,437			16,616		
32													
33	Reconciliation Amount	\$936,467			(\$174,802)			\$277,509			\$1,039,173		
34													
35	Authorized Capital Riders Revenues (9/12th)	\$35,305,293			\$35,305,293			\$35,305,293			\$35,305,293		
36													
37	Current Reconciliation Factor Percentage	2.65%			-0.50%			0.79%			2.94%		
38													

**Explanation:**

Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total rate base is calculated by the Tennessee Public Utility Commission in a rate case. This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

\*Taxes - From Docket #19-00105 which was approved on 6/1/2020.

Earnings Test - Calculation methodology from Earnings Test workpaper

Tennessee American Water Company  
For 12 Months Ended December 31, 2020  
2021 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Charge Type	Additions	Removals	CIAC	Total
1	QIIP	Labor	\$892,447	\$217,082	\$0	\$1,109,530
2		Labor Overhead	356,351	85,376	0	441,727
3		Licenses, Permits & Misc Fees	76,133	10,758	0	86,891
4		Materials & Supplies	1,803,819	266,503	0	2,070,321
5		Contracted Services	9,588,575	4,158,128	0	13,746,704
6		Other - Paving	1,551,357	198,284	0	1,749,642
7		Other	103,906	26,519	0	130,425
8		Overhead	1,276,425	236,179	0	1,512,604
9		Salvage Cash	0	(36,856)	0	(36,856)
10		Service Company Charges	4,724	0	0	4,724
11		CWIP Accrual	(293,660)	(0)	0	(293,660)
12		CIAC Taxable	0	0	(1,693)	(1,693)
13		CIAC Non-Taxable	0	0	(1,500)	(1,500)
14		Tax Gross Up	0	0	(927)	(927)
15		AFUDC Debt	56,055	0	0	56,055
16		AFUDC Equity	50,774	0	0	50,774
17						
18	QIIP Total		\$15,466,906	\$5,161,973	(\$4,121)	\$20,624,759
19						
20	EDI	Labor	\$22,293	\$0	\$0	\$22,293
21		Labor Overhead	9,046	0	0	9,046
22		Licenses, Permits & Misc Fees	1,208	0	0	1,208
23		Materials & Supplies	675,030	0	0	675,030
24		Contracted Services	3,024,706	0	0	3,024,706
25		Other - Paving	87,502	0	0	87,502
26		Other	11,026	0	0	11,026
27		Overhead	302,524	0	0	302,524
28		Salvage Cash	0	0	0	0
29		Service Company Charges	0	0	0	0
30		CWIP Accrual	281,082	0	0	281,082
31		CIAC Taxable	0	0	(18,971)	(18,971)
32		CIAC Non-Taxable	0	0	0	0
33		Tax Gross Up	0	0	(9,056)	(9,056)
34		AFUDC Debt	23,837	0	0	23,837
35		AFUDC Equity	21,591	0	0	21,591
36						
37	EDI Total		\$4,459,845	\$0	(\$28,026)	\$4,431,818
38						
39	SEC	Labor	\$61,189	\$15,256	\$0	\$76,445
40		Labor Overhead	23,925	6,431	0	30,356
41		Licenses, Permits & Misc Fees	0	0	0	0
42		Materials & Supplies	691,615	73,537	0	765,152
43		Contracted Services	1,049,907	46,442	0	1,096,349
44		Other - Paving	0	0	0	0
45		Other	112,077	16,094	0	128,171
46		Overhead	157,937	11,824	0	169,761
47		Salvage Cash	0	0	0	0
48		Service Company Charges	0	0	0	0
49		CWIP Accrual	(21,178)	0	0	(21,178)
50		CIAC Taxable	0	0	0	0
51		CIAC Non-Taxable	0	0	0	0
52		Tax Gross Up	0	0	0	0
53		AFUDC Debt	3,584	0	0	3,584
54		AFUDC Equity	3,246	0	0	3,246
55						
56	SEC Total		\$2,082,303	\$169,584	\$0	\$2,251,887
57						
58			<b>\$22,009,054</b>	<b>\$5,331,557</b>	<b>(\$32,147)</b>	<b>\$27,308,464</b>

Tennessee American Water Company  
For 12 Months Ended December 31, 2020  
2021 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
1	QIIP	I26-020034-01	Tennessee River Crossing	\$206,269	\$0	\$0	\$206,269
2		I26-020039-01	Citico Repl Basin 2 & Plate Settler	7,234,320	1,539,672	0	8,773,992
3		I26-020039-02	Citico Repl Basin 2 & Plate Settler	0	1,719,053	0	1,719,053
4		I26-020045-02	Removal WBS	0	(20,561)	0	(20,561)
5		I26-020059-01	Citico Yard Piping Modifications	(127,639)	24	0	(127,615)
6		R26-02B1.16-P-0005	Center Street Main Replacement	263,765	12,936	0	276,701
7		R26-02B1.18-P-0003	Carroll Ln Main Repl	196,749	1,345	0	198,094
8		R26-02B1.18-P-0006	10th btw 37th&39th	288,383	3,507	0	291,890
9		R26-02B1.18-P-0007	Addison Rd Main Replacement	168,077	8,865	0	176,942
10		R26-02B1.18-P-0008	Carnation St Main Repl	1,126	59	0	1,185
11		R26-02B1.18-P-0009	Frost & Lockwood Main Repl	238,792	2,038	0	240,830
12		R26-02B1.18-P-0012	Lynda Drive and Circle 6" Main Repl	0	425	0	425
13		R26-02B1.19-P-0002	Vero Beach Street- 1220' of 6" main	0	5	0	5
14		R26-02B1.19-P-0003	Hollywood Drive- 1350' of 6", one F	(2,134)	(107)	0	(2,241)
15		R26-02B1.19-P-0004	Palm Beach Avenue- 1350' of 4" and	23,347	(23,294)	0	53
16		R26-02B1.19-P-0006	Paulmar Drive Main Replacement	40,812	8,358	0	49,170
17		R26-02B1.19-P-0007	S. Highland Park Main Replacement	(1,308)	0	0	(1,308)
18		R26-02B1.19-P-0008	Oak Street Main Replacement	0	1	0	1
19		R26-02B1.19-P-0009	Springvale Road Main Replacement	170,132	8,895	0	179,027
20		R26-02B1.19-P-0010	Franklin Street Main Replacement	110,662	5,733	0	116,395
21		R26-02B1.20-P-0002	Weldon Drive Main Replacement	235,391	12,373	0	247,764
22		R26-02B1.20-P-0003	Chestnut Street GA main replacement	217,577	11,426	0	229,002
23		R26-02B1.20-P-0004	Bennett Ave Main Replacement	170,806	13,329	0	184,135
24		R26-02B1.20-P-0005	Auburn Street main replacement	68,815	3,619	0	72,433
25		R26-02B1.20-P-0006	Arbor Place Lane main replacement	108,792	5,572	0	114,365
26		R26-02B1.20-P-0007	Westside Drive main replacement	173,960	8,961	0	182,920
27		R26-02B1.20-P-0008	West 51st St main replacement	121,168	5,804	0	126,972
28		R26-02C1.19-P-0001	Mains Replaced	72,708	488	0	73,197
29		R26-02C1.19-P-0005	12" Cut & Cap Manufacturers Rd	4,844	0	0	4,844
30		R26-02C1.19-P-0005-CO	12" Cut & Cap Manufacturers Rd	0	0	(2,621)	(2,621)
31		R26-02C1.20-P-0001	Main Replacement	1,273,729	290,229	0	1,563,959
32		R26-02D1.18-P-0006	Main Street Lowering at 27	128,232	6,506	0	134,738
33		R26-02D1.19-P-0003	Appling Street Main Relocation	(1,821)	246	0	(1,575)
34		R26-02D1.19-P-0004	Howard High School Main Relocation	(4,134)	4	0	(4,130)
35		R26-02D1.19-P-0005	TDOT I-24 Relocation at Sydney Stre	(792)	337	0	(455)
36		R26-02D1.19-P-0006	Carnell Court Main Relocation	0	57	0	57
37		R26-02D1.19-P-0007	Lawton St Relocation	181	0	0	181
38		R26-02D1.20-P-0002	26th Street Main Relocation	43,494	4,773	0	48,267
39		R26-02F1.15-P-0002	Winterview Pressure Reducing Valve	0	340	0	340
40		R26-02F1.17-P-0003	6109 Lee Highway	538	0	0	538
41		R26-02F1.17-P-0003-CN	6109 Lee Highway	0	0	(1,500)	(1,500)
42		R26-02F1.19-P-0001	Hydrants and Valves Replaced	(1,967)	2,874	0	908
43		R26-02F1.19-P-0002	538 Cherokee Blvd	0	(2)	0	(2)
44		R26-02F1.19-P-0003	1701 Broad Street Hydrant Relocate	0	(7)	0	(7)
45		R26-02F1.20-P-0001	Hydrant & Valve Replacement	210,414	81,814	0	292,228
46		R26-02F1.20-P-0002	901 Riverfront Pkwy Hydrant Replace	3,406	824	0	4,230
47		R26-02H1.19-P-0001	Services and Laterals Replaced	2,790	324	0	3,114
48		R26-02H1.19-P-0002	1033 Scenic Hwy LKMTN GA	0	290	0	290
49		R26-02H1.20-P-0001	Service Renewals	374,840	163,180	0	538,020
50		R26-02J1.19-P-0001	Meters Replaced	(606)	569	0	(38)
51		R26-02J1.20-P-0001	Blanket	1,915,335	251,355	0	2,166,689
52		R26-02R1.18-P-0003	Aldrich Unit #6	(20,914)	234,108	0	213,194
53		R26-02R1.19-P-0002	Aldrich Unit 5 Rehab	826,542	546,373	0	1,372,915
54		R26-02R1.19-P-0003	Red Bank Tank Rehab	283,939	174,325	0	458,264
55		R26-02R1.20-P-0002	Plant 2 Wash Water Basin Rehab	9,621	6,299	0	15,920
56		R26-03F1.19-P-0001	Blanket	0	0	0	0
57		R26-03H1.18-P-0001	Blanket	(3,125)	0	0	(3,125)
58		R26-03H1.19-P-0001	Blanket	(3,739)	76	0	(3,663)
59		R26-03H1.20-P-0001	Blanket	94	42	0	136
60		R26-03J1.20-P-0001	Blanket	3,056	30	0	3,086
61		R26-05B1.17-P-0004	SR 28 / Higdon Road Main Replacemen	73,872	3,566	0	77,438
62		R26-05B1.20-P-0003	W Idaho Avenue main replacement	96,535	3,963	0	100,497
63		R26-05B1.20-P-0004	W Georgia Avenue main replacement	98,109	4,317	0	102,426
64		R26-05C1.19-P-0001	WBS Level 1 Planning	188	1,891	0	2,079
65		R26-05C1.20-P-0001	Blanket	80,651	21,430	0	102,081
66		R26-05F1.19-P-0001	Blanket	0	29	0	29
67		R26-05F1.20-P-0001	Blanket	3,931	1,396	0	5,327
68		R26-05H1.19-P-0001	Blanket	17,917	5,911	0	23,828
69		R26-05H1.20-P-0001	Blanket	71,867	26,092	0	97,959
70		R26-05J1.19-P-0001	Blanket	(691)	(113)	0	(804)
71							
72		QIIP Total		15,466,906	5,161,973	(4,121)	20,624,759

Tennessee American Water Company  
 For 12 Months Ended December 31, 2020  
 2021 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
73							
74	EDI	I26-020063-01	River Gorge Transmission Mains	2,263,014	0	0	2,263,014
75		I26-020064-01	River Gorge Booster Station	1,366,069	0	0	1,366,069
76		I26-050006-01	Hwy 283 Main Ext	1,094,402	0	0	1,094,402
77		R26-02A1.19-P-0002	Reneau Way Extension	(2,868)	0	0	(2,868)
78		R26-02A1.20-P-0002	Top Golf Main Extension	71,861	0	0	71,861
79		R26-02A1.20-P-0004	1705 Market Street Main Extension	43,847	0	0	43,847
80		R26-02E1.18-P-0021-CO	530 Cherokee Blvd	0	0	(2,433)	(2,433)
81		R26-02E1.19-P-0001	New Hydrants and Valves	(4,906)	0	0	(4,906)
82		R26-02E1.19-P-0004	422 Moccasin Bend 8" Inserta Valve	(1,600)	0	0	(1,600)
83		R26-02E1.19-P-0005-CO	2110 Test Drive	0	0	(5,000)	(5,000)
84		R26-02E1.19-P-0008	700 Vine Street	(1,442)	0	0	(1,442)
85		R26-02E1.19-P-0009	Pine Needles Trail @ Igou Gap Hydra	(1,600)	0	0	(1,600)
86		R26-02E1.19-P-0011	1769 Pine Needles Trail Hydrant Ins	(1,468)	0	0	(1,468)
87		R26-02E1.19-P-0014	Morris Hill @ Damron Lane Hydrant	4,088	0	0	4,088
88		R26-02E1.19-P-0014-CO	Morris Hill @ Damron Lane Hydrant	0	0	(4,052)	(4,052)
89		R26-02E1.20-P-0001	New Hydrant & Valves	103,935	0	0	103,935
90		R26-02E1.20-P-0002	2012 E. 2020th Street Hydrant	2,829	0	0	2,829
91		R26-02E1.20-P-0002-CO	2012 E. 2020th Street Hydrant	0	0	(4,000)	(4,000)
92		R26-02E1.20-P-0004	416 S Kelly Street Hydrant	9,079	0	0	9,079
93		R26-02E1.20-P-0004-CO	416 S Kelly Street Hydrant	0	0	(5,000)	(5,000)
94		R26-02E1.20-P-0005	Blackwell Farm Road ARV Install	2,132	0	0	2,132
95		R26-02E1.20-P-0006	8" Inserta Valve Spring Creek Rd	61,291	0	0	61,291
96		R26-02E1.20-P-0007	925 Fulton Street New Hydrant Insta	3,409	0	0	3,409
97		R26-02E1.20-P-0007-CO	925 Fulton Street New Hydrant Insta	0	0	(3,542)	(3,542)
98		R26-02E1.20-P-0008	125 W. 20th Street New Hydrant Ins	5,214	0	0	5,214
99		R26-02E1.20-P-0008-CO	125 W. 20th Street New Hydrant Ins	0	0	(4,000)	(4,000)
100		R26-03E1.18-P-0001	Blanket	(1,250)	0	0	(1,250)
101		R26-05A1.18-P-0002	Hwy 283 Main Ext.	(559,729)	0	0	(559,729)
102		R26-05E1.19-P-0001	Blanket	3,537	0	0	3,537
103							
104	EDI Total			4,459,845	0	(28,026)	4,431,818

Tennessee American Water Company

For 12 Months Ended December 31, 2020

2021 Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
105							
106	SEC	I26-020040-01	Citico Chlorine Gas Conversion	526,546	0	0	526,546
107		I26-020065-01	Replace North Traveling Screen	417,448	5,351	0	422,799
108		R26-02L1.19-P-0001	First Blanket	8,999	0	0	8,999
109		R26-02L1.19-P-0003	Upgrade Controller at Jenkins Rd Ta	583	0	0	583
110		R26-02L1.18-P-0002	Repl. Chattanooga SCADA Servers	171,565	37,983	0	209,548
111		R26-02M1.18-P-8003	CITICO Cameras	0	(6)	0	(6)
112		R26-02M1.19-P-9001	Whiel Street Office,Supply and Inst	4,234	(4,234)	0	0
113		R26-02M1.19-P-9002	TN Splash TV Changes	17	(17)	0	0
114		R26-02M1.19-P-9004	Citico WTP, Door	587	0	0	587
115		R26-02M1.19-P-9005	Citico, BP50	622	0	0	622
116		R26-02M1.20-P-0002	East Ridge Bst BP50	65,347	0	0	65,347
117		R26-02M1.20-P-0003	Chattanooga Modem	2,082	0	0	2,082
118		R26-02M1.20-P-0004	Chattanooga Citico WTP Doors	30,153	0	0	30,153
119		R26-02M1.20-P-0005	2020-578 Citico WTP Video Decoder	1,108	0	0	1,108
120		R26-02M1.20-P-0006	MB2020-305 Whitwell WTP Pole Cam	3,004	0	0	3,004
121		R26-02M1.20-P-0007	3287 Citico WTP Door CS&L	10,118	0	0	10,118
122		R26-02Q1.19-P-0012	Replace 100' 4" Sewer Line at Citic	0	29	0	29
123		R26-02Q1.19-P-0015	Replace Eyewash Stations at Filter	(18)	17	0	(1)
124		R26-02Q1.19-P-0016	HVAC Replacement at Panorama Booste	193	112	0	304
125		R26-02Q1.19-P-0017	Install Pumping Unit & Starter @ Hi	(4,059)	0	0	(4,059)
126		R26-02Q1.19-P-0018	Replace Low Service Citico Air Sump	0	39	0	39
127		R26-02Q1.19-P-0019	Replace Low Svc Electric Sump Pump	12,776	1,419	0	14,195
128		R26-02Q1.19-P-0020	Install Injection Quill Sample Pump	773	0	0	773
129		R26-02Q1.19-P-0025	Replace Autoclave Lab Equipment @ C	(29,189)	(48)	0	(29,238)
130		R26-02Q1.19-P-0026	Replace Eyewash Station at Citico	0	2,235	0	2,235
131		R26-02Q1.19-P-0027	Repl Effluent Valve Actuator #6 Ald	4,233	469	0	4,702
132		R26-02Q1.20-P-0002	Replace Turbidimeter Conventional F	8,177	671	0	8,849
133		R26-02Q1.20-P-0004	Repl. Battery Pack/Chargers Citico	38,166	3,576	0	41,742
134		R26-02Q1.20-P-0005	Replace SMR #11 Pump and Starter	73,583	13,771	0	87,354
135		R26-02Q1.20-P-0006	Replace PACI/NaOH/Zn/F- Chem Feed P	0	33,065	0	33,065
136		R26-02Q1.20-P-0007	Replace Roof Access Ladders @ Citic	16,162	1,793	0	17,955
137		R26-02Q1.20-P-0008	Replace Benchtpp Turbidity Analyzer	8,483	469	0	8,952
138		R26-02Q1.20-P-0009	Flash & Seal New York Booster Stati	5,297	0	0	5,297
139		R26-02Q1.20-P-0010	Replace Roof & Stairs @ER/MR Booste	19,900	7,125	0	27,025
140		R26-02Q1.20-P-0011	Replace Reactor #11 High Service	20,343	2,256	0	22,600
141		R26-02Q1.20-P-0012	Repl. Dmged. Elec. Equip. @ER/MR St	61,857	8,854	0	70,711
142		R26-02Q1.20-P-0013	Repl. XFER Switch Controllers @Chem	15,385	1,971	0	17,356
143		R26-02Q1.20-P-0014	Replace Plant Turbidimeters	88,458	12,272	0	100,730
144		R26-02Q1.20-P-0015	Repl. 2 VFDs @Panorama Booster Stat	11,860	2,635	0	14,496
145		R26-02Q1.20-P-0016	Repl. #7 & #9 Filter Drain Actuator	9,665	1,074	0	10,739
146		R26-02Q1.20-P-0017	Repl. Grating #2 Convent. Filter Bl	9,554	1,237	0	10,791
147		R26-02Q1.20-P-0018	Replace Solids Pump @ Thickener #1	15,363	4,247	0	19,610
148		R26-02Q1.20-P-0019	Replace 3 High Service Diff. Press.	8,748	965	0	9,714
149		R26-02Q1.20-P-0020	Repl. #4 Motor at St. Elmo	8,404	3,522	0	11,926
150		R26-02Q1.20-P-0021	Repl Drain Valve @ East Brainerd Ta	2,485	276	0	2,761
151		R26-02Q1.20-P-0022	Replace Check Valve #8 Rossville	4,501	237	0	4,738
152		R26-02Q1.20-P-0023	Repl. Tank Drain Enclosure Aldrich	6,633	3,432	0	10,065
153		R26-02Q1.20-P-0024	Repl XFER Pmp & Actuator For Zn Bul	11,478	4,168	0	15,646
154		R26-02Q1.20-P-0025	Replace Halogen Moisture Analyzer	0	83	0	83
155		R26-02Q2.17-P-0003	Crestview Booster Station Replaceme	111,604	2,456	0	114,060
156		R26-03L1.20-P-0002	Repl. Suck Creek SCADA Servers	53,466	2,292	0	55,758
157		R26-03L1.20-P-0003	Repl. MDS Radios w/Cell Modems @ SC	3,033	589	0	3,622
158		R26-03Q1.19-P-0002	Well #2 Piping	0	31	0	31
159		R26-03Q1.19-P-0003	Repl. Eyewash Station @Suck Creek	0	74	0	74
160		R26-03Q1.20-P-0002	Chlorine Probe interconnect vault	6,221	327	0	6,549
161		R26-05L1.20-P-0002	Repl. Whitwell SCADA Servers	63,550	2,545	0	66,095
162		R26-05L1.20-P-0003	Repl. MDS Radios w/Cell Modems @Whi	7,727	1,746	0	9,473
163		R26-05Q1.19-P-0010	New Main Plant Generator Dock	143	0	0	143
164		R26-05Q1.19-P-0012	Install Eyewash Station @Whitwell	1,233	1,987	0	3,220
165		R26-05Q1.19-P-0013	3rd pump install Hardess Station	36,115	0	0	36,115
166		R26-05Q1.20-P-0002	Repl. Jar Tester @Whitwell Plant	3,185	350	0	3,535
167		R26-05Q1.20-P-0003	Raw water line valve and actuator	8,113	0	0	8,113
168		R26-05Q1.20-P-0004	Residuals Removal Piping Project	48,211	2,537	0	50,748
169		R26-05Q1.20-P-0006	Flocculator motor	3,078	162	0	3,240
170		R26-05Q1.20-P-0007	Anthracite replacement in Filters	9,959	524	0	10,483
171		R26-05Q1.20-P-0008	Low Service pump #2 replace	50,467	2,656	0	53,123
172		R26-05Q1.20-P-0009	Chlorine Probe	3,036	175	0	3,212
173		R26-05Q1.20-P-0012	Booster pump on service Incline	1,539	81	0	1,620
174							
175	SEC Total			2,082,303	169,584	0	2,251,887
176							
177	Grand Total			\$22,009,054	\$5,331,557	(\$32,147)	\$27,308,464



**Tennessee American Water Company**  
**2020 Reconciliation of Capital Riders**  
**Earnings Test**

Line #	Notes / Changes from Monthly Reports	December-19	January-20	February-20	March-20	April-20	May-20	June-20
1	Additions:							
2	Plant in Service	\$354,113,607	\$355,382,613	\$356,581,381	\$357,851,376	\$358,222,477	\$360,131,584	\$360,534,419
3	Plant Under Construction	4,461,363	4,810,674	5,286,713	6,113,633	7,555,247	7,522,518	9,416,694
4	Property Held For Future Use	0	0	0	0	0	0	0
5	Materials and Supplies	894,617	1,072,581	1,112,634	1,162,158	1,049,315	1,011,184	953,791
6	Other Additions:							
7	Leased Utility Plant	0	0	0	0	0	0	0
8	Unamortized Painting - net	0	0	0	0	0	0	0
9	Working Capital - C/	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884
10								
11	Total Additions	\$362,879,471	\$364,675,752	\$366,390,612	\$368,537,051	\$370,236,923	\$372,075,170	\$374,314,788
12								
13								
14	Deductions:							
15	Accumulated Depreciaton and Amortization	\$92,898,032	\$93,411,188	\$94,336,700	\$94,125,305	\$93,825,692	\$93,641,080	\$94,361,993
16	Accumulated Deferred Income Taxes	50,390,967	50,648,169	50,821,527	51,064,714	51,327,296	51,629,299	51,495,330
17	Unamortized Investment Credit - Pre 1971	583	534	486	437	389	340	292
18	Customer Deposits	0	0	0	0	0	0	0
19	Other Deductions:							
20	Contributions in Aid of Construction	17,870,292	17,890,514	17,873,662	17,872,495	17,811,025	17,831,707	17,864,949
21	Customer Advances for Construction	4,185,427	4,168,738	4,189,114	4,414,654	4,401,126	4,311,731	4,219,432
22	All Other A/	(2,028,247)	(1,385,125)	(1,547,435)	169,864	(1,350,677)	(1,510,446)	(2,320,840)
23	Jasper Highlands Reg. Liab.	0	0	0	0	0	0	0
24								
25								
26	Total Deductions	\$163,317,054	\$164,734,018	\$165,674,054	\$167,647,469	\$166,014,851	\$165,903,711	\$165,621,156
27								
28	Rate Base	\$199,562,417	\$199,941,734	\$200,716,558	\$200,889,582	\$204,222,072	\$206,171,459	\$208,693,632
29								
30	Net Operating Income		\$1,000,033	\$655,102	\$1,008,881	\$768,339	\$1,067,761	\$1,933,532
31	Adjustments to NOI:							
32	2019 Earnings Test Surcharge Credits After tax basis		94,137	82,070	90,408	92,244	73,449	80,443
33	Allowance for funds used during construction After tax basis		16,209	16,583	21,229	15,276	12,325	22,495
34	Adjustment to reflect effective federal		0	0	0	0	0	0
35	Income tax rate (debt assigned to parent) After tax basis		25,692	25,792	25,814	26,242	26,493	26,817
36	Interest on customer deposits		0	0	0	0	0	0
37	Incentive Compensation After tax basis		30,366	30,301	78,118	27,638	30,530	74,295
38	Lobbying Expenses							
39	Lobbying - Salary See Lobby Salary Exhibit tab		831	581	1,221	1,758	1,759	1,759
40	Labor - Non-recurring After tax basis							
41	Legal - Main Break After tax basis							
42								
43	Adjusted Net Operating Income		\$1,167,267	\$810,430	\$1,225,671	\$931,497	\$1,212,317	\$2,139,341
44			\$0	\$0	\$0	\$0	\$0	\$0
45								
46	Rate of return B/		7.01%	4.85%	7.32%	5.47%	7.06%	12.30%

Tennessee American Water Company  
2020 Reconciliation of Capital Riders  
Earnings Test

Line #	Notes / Changes from Monthly Reports	December-19	January-20	February-20	March-20	April-20	May-20	June-20
A/ All Other								
Acquisition adjustment		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts payable applicable to CWIP		(675,579)	(386,287)	(399,819)	635,494	(1,037,895)	(1,214)	(82,067)
Unpaid for materials and supplies		17,014	(6,616)	16,798	16,084	(8,672)	33,948	(17,381)
Taxes on CIAC-DEF. FIT & SIT		(1,369,682)	(954,619)	(953,283)	(989,982)	(1,020,253)	(1,024,749)	(1,071,429)
		(\$2,028,247)	(\$1,347,522)	(\$1,336,304)	(\$338,404)	(\$2,066,820)	(\$992,015)	(\$1,170,877)
C/ Per order								
Cash working capital Lead Lag Study		\$591,674	\$591,674	\$591,674	\$591,674	\$591,674	\$591,674	\$591,674
Incidental collection		(116,192)	(116,192)	(116,192)	(116,192)	(116,192)	(116,192)	(116,192)
Average cash		0	0	0	0	0	0	0
Other components		2,934,402	2,934,402	2,934,402	2,934,402	2,934,402	2,934,402	2,934,402
Working Capital		\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884
Rate of Return - 2020		7.21%						
Authorized Rate of Return		7.23%	(Schedule 1 Exhibit to Settlement Agreement Docket No. 12-00049)					
Authorized Adjusted Net Operating Income		\$15,142,777						
Actual 2020 Adjusted Net Operating Income		\$15,105,291						
Above or (Below) Earnings		(\$37,486)						
Gross-up Income Tax Rate		1.3538212						
Revenue Requirement		(\$50,750)						

**Tennessee American Water Company**  
**2020 Reconciliation of Capital Riders**  
**Earnings Test**

Line #		July-20	August-20	September-20	October-20	November-20	December-20	13Mth Average	
1	Additions:								
2	Plant in Service	\$363,217,706	\$365,973,831	\$373,006,313	\$374,851,531	\$375,910,234	\$387,159,250	\$364,841,256	
3	Plant Under Construction	9,304,967	9,769,058	6,314,183	7,103,718	7,042,129	4,909,451	6,893,104	
4	Property Held For Future Use	0	0	0	0	0	0	0	
5	Materials and Supplies	890,597	911,330	893,778	813,171	880,212	995,953	972,409	
6	Other Additions:								
7	Leased Utility Plant	0	0	0	0	0	0	0	
8	Unamortized Painting - net	0	0	0	0	0	0	0	
9	Working Capital - C/	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	3,409,884	
10									
11	Total Additions	\$376,823,154	\$380,064,103	\$383,624,158	\$386,178,304	\$387,242,459	\$396,474,538	\$376,116,653	
12									
13									
14	Deductions:								
15	Accumulated Depreciaton and Amortization	\$94,838,777	\$95,310,380	\$94,463,361	\$95,192,643	\$95,970,535	\$95,648,237	94,463,379	
16	Accumulated Deferred Income Taxes	51,510,122	51,436,002	51,170,817	50,804,823	50,695,390	50,506,290	51,038,519	
17	Unamortized Investment Credit - Pre 1971	243	194	146	97	49	0	292	
18	Customer Deposits	0	0	0	0	0	0	0	
19	Other Deductions:	0	0	0	0	0	0	0	
20	Contributions in Aid of Construction	17,882,625	17,869,150	17,940,787	17,919,784	17,912,831	18,009,342	17,888,397	
21	Customer Advances for Construction	4,195,408	4,279,598	4,293,089	4,352,234	4,650,107	5,970,899	4,433,197	
22	All Other A/	(2,674,673)	(50,204)	(1,926,605)	(164,024)	(2,796,786)	1,759,005	(1,217,399)	
23	Jasper Highlands Reg. Liab.	0	0	0	0	0	865,800	66,600	
24									
25									
26	Total Deductions	\$165,752,502	\$168,845,120	\$165,941,595	\$168,105,557	\$166,432,126	\$172,759,573	\$166,672,984	
27									
28	Rate Base	\$211,070,652	\$211,218,983	\$217,682,563	\$218,072,747	\$220,810,333	\$223,714,965	\$209,443,669	13Mth Average Rate Base
29								Total	
30	Net Operating Income	\$1,301,392	\$1,292,878	\$1,296,738	\$811,908	\$654,513	\$682,201	\$12,473,278	12Mths Net Operating Income
31	Adjustments to NOI:								
32	2019 Earnings Test Surcharge Credits	104,384	83,674	89,219	92,429	76,529	72,559	1,031,545	
33	Allowance for funds used during construction	22,945	25,283	30,900	19,835	20,426	5,236	228,743	
34	Adjustment to reflect effective federal	0	0	0	0	0	0	0	
35	Income tax rate (debt assigned to parent)	27,081	27,435	27,972	28,022	28,373	29,340	325,073	
36	Interest on customer deposits	0	0	0	0	0	0	0	
37	Incentive Compensation	30,478	30,259	90,126	31,087	31,154	99,165	583,517	
38	Lobbying Expenses						66,561	66,561	
39	Lobbying - Salary	2,382	1,683	1,686	1,653	1,716	2,195	19,225	
40	Labor - Non-recurring					336,324	0	336,324	
41	Legal - Main Break						41,026	41,026	
42									
43	Adjusted Net Operating Income	\$1,488,662	\$1,461,213	\$1,536,642	\$984,933	\$1,149,035	\$998,283	\$15,105,291	12Mths Adjusted Net Operating Income
44		\$0	\$0	\$0	\$0	\$0	\$0		
45									
46	Rate of return B/	8.46%	8.30%	8.47%	5.42%	6.24%	5.35%	7.21%	

Tennessee American Water Company  
2020 Reconciliation of Capital Riders  
Earnings Test

<u>Line #</u>	<u>July-20</u>	<u>August-20</u>	<u>September-20</u>	<u>October-20</u>	<u>November-20</u>	<u>December-20</u>	<u>13Mth Average</u>
A/ All Other							
Acquisition adjustment	\$0	\$0	\$0	\$0	\$0	\$0	
Accounts payable applicable to CWIP	(369,520)	(166,601)	310,943	355,663	507,630	(675,579)	
Unpaid for materials and supplies	132	(4,859)	85,094	(29,152)	(21,083)	17,014	
Taxes on CIAC-DEF. FIT & SIT	(1,072,645)	(1,175,437)	(1,169,104)	(1,226,113)	(1,334,818)	(1,369,682)	
	<u>(\$1,442,033)</u>	<u>(\$1,346,897)</u>	<u>(\$773,067)</u>	<u>(\$899,602)</u>	<u>(\$848,271)</u>	<u>(\$2,028,247)</u>	
C/ Per order							
Cash working capital Lead Lag Study	\$591,674	\$591,674	\$591,674	\$591,674	\$591,674	\$591,674	
Incidental collection	(116,192)	(116,192)	(116,192)	(116,192)	(116,192)	(116,192)	
Average cash	0	0	0	0	0	0	
Other components	<u>2,934,402</u>	<u>2,934,402</u>	<u>2,934,402</u>	<u>2,934,402</u>	<u>2,934,402</u>	<u>2,934,402</u>	
Working Capital	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	\$3,409,884	
Rate of Return - 2020							
Authorized Rate of Return							
Authorized Adjusted Net Operating Income							
Actual 2020 Adjusted Net Operating Income							
Above or (Below) Earnings							
Gross-up Income Tax Rate							
Revenue Requirement							

CLASSIFICATION OF SERVICEECONOMIC DEVELOPMENT INVESTMENT PROGRAM – RIDER**1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Economic Development Investment Program (“EDI”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

**“Actual EDI Investment Amount”** means the amount of actual capital investment and associated operating expenses of the Company for the Economic Development Investment Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual EDI Investment Amounts associated with this Rider shall be included in base rates.

**“Annual Reconciliation Factor”** means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

**“Annual Review Period”** means the twelve-month period between the annual adjustments of the EDI Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

**“Commission”** means the Tennessee Public Utility Commission.

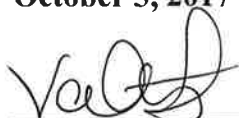
**“Budget-to-Actual Adjustment”** means the adjustment to EDI for the applicable coming annual period due to the difference between the Forecasted EDI Investment and Expense Amount and the Actual EDI Investment and Expense Amount.

(T) Denotes Change in text

ISSUED: **October 3, 2017**

EFFECTIVE: **November 2, 2017**

BY:



**Valoria V. Armstrong  
PRESIDENT**

**109 Wiehl Street  
Chattanooga, Tennessee 37403**

**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted EDI Investment Amount”** means the amount of forecasted capital investment of the Company for the Economic Development Investment Program and not otherwise included in current base rates.

(T) **“Over-Under Collection Adjustment”** means the adjustment to EDI for the applicable coming annual period due to the net amount of over or under collections. This will include over-under collections from the annual review period EDI and any remaining balance of the over-under collection from the prior reconciliation of the EDI.

**“Relevant Rate Order”** means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

EDI allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying EDI investment includes the following:

*Distribution, Production, and Other Infrastructure* – Distribution, production, and other infrastructure that may be identified as being for the purpose of economic development.

*Economic Development Expenses* – Operational expenses that are specifically to support economic development and economic development investment utility plant.

EDI Investment is to be identifiable on the Company's books and segregated into the following general accounts:


Account 331 – Transmission & Distribution Mains;  
 Account 333 – Services;  
 Account 334 – Meters & Meter Installations;  
 Account 335 – Hydrants;  
 Account 320 – Water Treatment Equipment, Non-Media;  
 Account 311 – Pumping Equipment;  
 Account 303 – Land and Land Rights;  
 Account 304 – Structures and Improvements;

(T) Denotes Change in text

ISSUED: October 3, 2017

EFFECTIVE: November 2, 2017

BY:



Valoria V. Armstrong  
 PRESIDENT

109 Wiehl Street  
 Chattanooga, Tennessee 37403

Account 306 – Lake, River and Other Intakes;  
Account 307 – Wells and Springs;  
Account 309 – Supply Mains;  
Account 310 – Power Generation Equipment;  
Account 330 – Distribution Reservoirs and Standpipes; and  
Account 330003 – Capitalized Tank Painting.

**4. Determination of the Economic Development Investment Program Percentage Rate**

- (A) The EDI percentage shall be expressed as a percentage carried to two (2) decimal places. The EDI percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The EDI percentage shall be calculated on an annual prospective basis as follows:

**FORECASTED EDI Investment Amount**

Less EDI Plant Retirements (Net of Cost of Removal & Salvage)  
Less Contributions in Aid of Construction  
Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes

Net Forecasted EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

**Allowed Forecasted EDI Pre-Tax Return**

Plus Depreciation Expense  
Plus Property Taxes  
Plus Franchise Taxes  
Plus Economic Development Operational Expenses

Subtotal Forecasted EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate

Total Forecasted EDI Revenue Requirement

(T) Denotes Change in text

**ISSUED: October 3, 2017**

**EFFECTIVE: November 2, 2017**

**BY:**



**Valoria V. Armstrong  
PRESIDENT**

**109 Wiehl Street  
Chattanooga, Tennessee 37403**

TENNESSEE-AMERICAN WATER COMPANY

TPUC NO. 19

Third Revised Sheet No. 12-EDI-4

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 Divided by Relevant Rate Order Volumetric & Metered Revenue
 

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EDI Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted EDI investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted EDI infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified EDI investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Forecasted cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Forecasted cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**EDI Plant Retirements** = Forecasted EDI plant removed from service net of any associated cost of removal and salvage.

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**Forecasted EDI Investment Amount** = Average forecasted EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Economic Development Expenses** = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

**Uncollectible Expense** = Forecasted EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the EDI is the EDI Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

#### 5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.

- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment  
 Plus Over-Under Collection Adjustment  
 Plus Earnings Test Adjustment  
Plus Interest  
 Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate


- (C) Computation of the Budget-to-Actual Adjustment.

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The Budget-to-Actual Adjustment will be computed as follows:

ACTUAL EDI Investment Amount for the Annual Review Period  
 Less EDI Plant Retirements (Net of Cost of Removal & Salvage)  
 Less Contributions in Aid of Construction  
 Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
 Net Actual EDI Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual EDI Pre-Tax Return  
 Plus Depreciation Expense  
 Plus Property Taxes  
 Plus Franchise Taxes  
Plus Economic Development Operational Expenses  
 Subtotal Actual EDI Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
 Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
 Total Actual EDI Revenue Requirement

Less Total Forecasted EDI Revenue Requirement

Budget-to-Actual Adjustment

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted EDI plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual EDI investment at the beginning and end of the year.

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**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual EDI infrastructure.

**Depreciation Expense** = Actual cumulative qualified EDI investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified EDI investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified EDI investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**EDI Plant Retirements** = Actual EDI plant removed from service net of any associated cost of removal and salvage.

**Actual EDI Investment Amount** = Average actual EDI additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Economic Development Expenses** = the incremental operational expenses that are specifically to support economic development or economic development utility plant.

**Uncollectible Expense** = Actual EDI Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

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**TENNESSEE-AMERICAN WATER COMPANY****TPUC NO. 19****Third Revised Sheet No. 12-EDI-8****(D) Computation of the Over-Under Collection Adjustment.**

- (T) The Company will identify and record the total amount of the EDI Collected from Customers for the Annual Review Period. The difference between the Total EDI Collected from Customers and the Total Budgeted EDI Revenue Requirement shall constitute the Over-Under Collection Adjustment. This adjustment shall include any remaining Over-Under amount from the prior period reconciliation during the Annual Review Period in addition to the Over-Under collection amount for the EDI during the Annual Review Period.
- (T)
- (T)

**(E) Computation of the Earnings Test Adjustment.**

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

**(F) Computation of Interest.**

Interest will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

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**TENNESSEE-AMERICAN WATER COMPANY****TPUC NO. 19****Third Revised Sheet No. 12-EDI-9****6. New Base Rates**

The EDI rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the EDI. Thereafter, only the costs of new EDI eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective EDI filings.

**7. Annual EDI Percentage Rate Filing**

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the EDI Percentage Rate for the following calendar year. The Annual EDI Percentage Rate Filing shall be verified by an officer of the Company. The Annual EDI Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted EDI Investment Amount, with such revenue adjustment applied through the EDI Percentage Rate. The EDI Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual EDI Percentage Rate Filing the following information at a minimum: (a) computation of the EDI Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted EDI Investment Amount and Forecasted Economic Development Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted EDI Investment Amount and each projected operational expense comprising the Forecasted Economic Development Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual EDI Percentage Rate Filing.

**8. Annual Reconciliation Filing with the Commission**

On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the EDI for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this EDI Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred EDI cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on

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**TENNESSEE-AMERICAN WATER COMPANY****TPUC NO. 19****Third Revised Sheet No. 12-EDI-10**

April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total EDI Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual EDI Investment Amount and Actual Economic Development Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of EDI collected from customers under this Rider, and (i) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

**9. Notice Requirements**

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

**10. Public Interest Review**

Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

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CLASSIFICATION OF SERVICEQUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM – RIDER**1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program (“QIIP”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

**“Actual QIIP Investment Amount”** means the amount of actual capital investment of the Company for the Qualified Infrastructure Improvement Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual QIIP Investment Amounts associated with this Rider shall be included in base rates.

**“Annual Reconciliation Factor”** means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

**“Annual Review Period”** means the twelve-month period between the annual adjustments of the QIIP Percentage Rate.

**“Commission”** means the Tennessee Public Utility Commission.


**“Budget-to-Actual Adjustment”** means the adjustment to QIIP for the applicable coming annual period due to the difference between the Forecasted QIIP Investment Amount and the Actual QIIP Investment Amount.

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**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted QIIP Investment Amount”** means the amount of forecasted capital investment of the Company for the Qualified Infrastructure and Investment Program and not otherwise included in current base rates.

(T) **“Over-Under Collection Adjustment”** means the adjustment to QIIP for the applicable  
(T) coming annual period due to the net amount of over or under collections. This will include  
(T) over-under collections from the annual review period EDI and any remaining balance of the  
(T) over-under collection from the prior reconciliation of the EDI.

**“Relevant Rate Order”** means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

QIIP allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment. For purposes of this Rider, qualifying QIIP investment includes the following:

*Distribution Infrastructure* – Replacement distribution and transmission mains and valves installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Hydrants, Services, Meters and Meter Installations – installed as in-kind replacements, reinforcements or insuring reliability of existing facilities; Unreimbursed funds related to capital projects to relocate facilities required by governmental highway projects; Capitalized tank repairs and maintenance that serve to replace, reinforce, or otherwise insure reliability of existing facilities.

*Production and Pumping Infrastructure* – Replacement of water treatment facilities and equipment installed as replacements for existing facilities, reinforcement of existing facilities or otherwise insuring reliability of existing facilities; Raw Water and Finished Water pumping equipment and structures installed as replacements, reinforcements or otherwise insuring reliability of existing facilities.

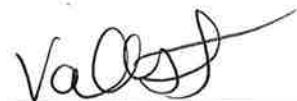
*Other Infrastructure* – Infrastructure designed to utilize alternative fuels.

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QIIP Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;  
 Account 333 – Services;  
 Account 334 – Meters & Meter Installations;  
 Account 335 – Hydrants;  
 Account 320 – Water Treatment Equipment, Non-Media;  
 Account 311 – Pumping Equipment;  
 Account 303 – Land and Land Rights;  
 Account 304 – Structures and Improvements;  
 Account 306 – Lake, River and Other Intakes;  
 Account 307 – Wells and Springs;  
 Account 309 – Supply Mains;  
 Account 310 – Power Generation Equipment  
 Account 330 – Distribution Reservoirs and Standpipes;  
 Account 341 – Transportation Equipment; and  
 Account 330003 – Capitalized Tank Painting.

#### 4. Determination of the Qualified Infrastructure Improvement Program Percentage Rate

- (A) The QIIP percentage shall be expressed as a percentage carried to two (2) decimal places. The QIIP percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The QIIP percentage shall be calculated on an annual prospective basis as follows:

##### **FORECASTED QIIP Investment Amount**

Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted QIIP Pre-Tax Return

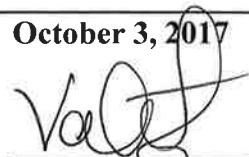
Plus Depreciation Expense

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Plus Property Taxes  
 Plus Franchise Taxes  
 Subtotal Forecasted QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:  
 Forfeited Discounts Rate  
 Plus Uncollectible Expense Rate  
 Plus Gross Receipts Tax Rate  
 Total Forecasted QIIP Revenue Requirement

Divided by Relevant Rate Order Volumetric & Metered Revenue

QIIP Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted QIIP investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted QIIP infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified QIIP investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

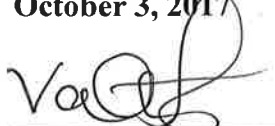
**Franchise Taxes** = Forecasted cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

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**Gross Receipts Tax Rate** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Forecasted cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**QIIP Plant Retirements** = Forecasted QIIP plant removed from service net of any associated cost of removal and salvage.

**Forecasted QIIP Investment Amount** = Average forecasted QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Uncollectible Expense** = Forecasted QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the QIIP is the QIIP Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

#### 5. Determination of the Annual Reconciliation Factor Percentage Rate

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

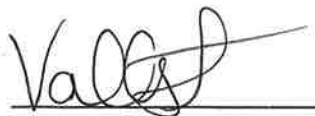
Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment

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Plus Earnings Test Adjustment  
Plus Interest  
 Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue

Annual Reconciliation Factor Percentage Rate

(C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

**ACTUAL** QIIP Investment Amount for the Annual Review Period  
 Less QIIP Plant Retirements (Net of Cost of Removal & Salvage)  
 Less Contributions in Aid of Construction  
 Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
 Net Actual QIIP Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual QIIP Pre-Tax Return  
 Plus Depreciation Expense  
 Plus Property Taxes  
Plus Franchise Taxes  
 Subtotal Actual QIIP Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
 Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
 Total Actual QIIP Revenue Requirement

Less Total Forecasted QIIP Revenue Requirement

Budget-to-Actual Adjustment

Where:

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**TENNESSEE-AMERICAN WATER COMPANY****TPUC NO. 19****Third Revised Sheet No. 12-QIIP-7**

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted QIIP plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual QIIP investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual QIIP infrastructure.

**Depreciation Expense** = Actual cumulative qualified QIIP investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified QIIP investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified QIIP investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**QIIP Plant Retirements** = Actual QIIP plant removed from service net of any associated cost of removal and salvage.

**Actual QIIP Investment Amount** = Average actual QIIP additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

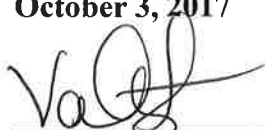
**Uncollectible Expense** = Actual QIIP Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

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**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

(T) The Company will identify and record the total amount of the QIIP Collected from  
(T) Customers for the Annual Review Period. The difference between the Total QIIP Collected  
(T) from Customers and the Total Budgeted QIIP Revenue Requirement shall constitute the  
Over-Under Collection Adjustment. . This adjustment shall include any remaining Over-  
Under amount from the prior period reconciliation during the Annual Review Period in  
addition to the Over-Under collection amount for the EDI during the Annual Review Period.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

Interest will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

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Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

## 6. New Base Rates

The QIIP rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the QIIP. Thereafter, only the costs of new QIIP eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective QIIP filings.

## 7. Annual QIIP Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the QIIP Percentage Rate for the following calendar year. The Annual QIIP Percentage Rate Filing shall be verified by an officer of the Company. The Annual QIIP Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted QIIP Investment Amount, with such revenue adjustment applied through the QIIP Percentage Rate. The QIIP Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual QIIP Percentage Rate Filing the following information at a minimum: (a) computation of the QIIP Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted QIIP Investment Amount adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) a statement demonstrating how each projected capital investment comprising the Forecasted QIIP Investment Amount meets the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual QIIP Percentage Rate Filing.

## 8. Annual Reconciliation Filing with the Commission

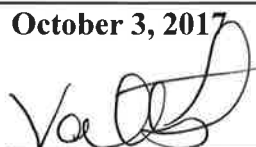
On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the QIIP for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this QIIP Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred QIIP cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on

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April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total QIIP Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) a schedule of any proposed prior period adjustments, (f) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (g) the cumulative amount of QIIP collected from customers under this Rider, and (h) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

#### **9. Notice Requirements**

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.

#### **10. Public Interest Review**

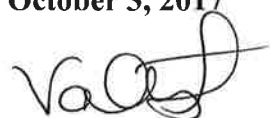
Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

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**BY:**



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**CLASSIFICATION OF SERVICE****SAFETY AND ENVIRONMENTAL COMPLIANCE – RIDER****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Safety and Environmental Compliance Program (“SEC”) Rider will apply to customers in all service areas.

The above rider will be recomputed annually and be adjusted periodically to incorporate the Annual Reconciliation Factor.

**2. Definitions**

For the purposes of this Rider:

“**Actual SEC Investment Amount**” means the amount of actual capital investment and associated operating expenses of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates. At the time of the Company’s next general rate case proceeding, all prudently incurred Actual SEC Investment Amounts associated with this Rider shall be included in base rates.

“**Annual Reconciliation Factor**” means an adjustment factor to true-up rates from forecasted costs to the actual costs incurred through application of 1) the Budget-to-Actual Adjustment and 2) the Over-Under Collection Adjustment, and the 3) Earnings Test Adjustment, as adjusted for Interest.

“**Annual Review Period**” means the twelve-month period between the annual adjustments of the SEC Percentage Rate. For the first year beyond the attrition year of the base rate case, this review period may be shorter or longer than a twelve-month period to cover expenditures between the attrition year and the start of the subsequent calendar year.

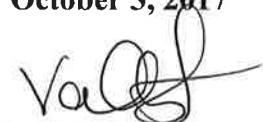
“**Commission**” means the Tennessee Public Utility Commission.

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**“Budget-to-Actual Adjustment”** means the adjustment to SEC for the applicable coming annual period due to the difference between the Forecasted SEC Investment and Expense Amount and the Actual SEC Investment and Expense Amount.

**“Consumer Advocate”** means the Consumer Advocate and Protection Division of the Office of the Tennessee Attorney General.

**“Forecasted SEC Investment Amount”** means the amount of forecasted capital investment of the Company for the Safety and Environmental Compliance Program and not otherwise included in current base rates.

(T) **“Over-Under Collection Adjustment”** means the adjustment to SEC for the applicable coming annual period due to the net amount of over or under collections. . This will include  
(T) over-under collections from the annual review period EDI and any remaining balance of the  
(T) over-under collection from the prior reconciliation of the EDI.

**“Relevant Rate Order”** means the final order of the Commission in the most recent rate case of the Company fixing the rates of the Company or the most recent final order of the Commission specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

### 3. General Description

SEC allows the Company to recover outside of a rate case its qualifying incremental non-revenue producing plant infrastructure investment and expenses. For purposes of this Rider, qualifying SEC investment includes the following:

*Distribution and Production Infrastructure* – Distribution, production, and other infrastructure that may be identified as being for the purpose of safety and environmental compliance.

*Safety and Environmental Expenses* – Operational expenses similar to other expenses authorized in previous rate cases that are specifically new expenses for safety and environmental compliance or to support safety and environmental compliance utility plant.

SEC Investment is to be identifiable on the Company's books and segregated into the following general accounts:

Account 331 – Transmission & Distribution Mains;  
Account 333 – Services;  
Account 334 – Meters & Meter Installations;

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**TENNESSEE-AMERICAN WATER COMPANY****TPUC NO. 19****Second Revised Sheet No. 12-SEC-3**

Account 335 – Hydrants;  
 Account 320 – Water Treatment Equipment, Non-Media;  
 Account 311 – Pumping Equipment;  
 Account 303 – Land and Land Rights;  
 Account 304 – Structures and Improvements;  
 Account 306 – Lake, River and Other Intakes;  
 Account 307 – Wells and Springs;  
 Account 309 – Supply Mains;  
 Account 310 – Power Generation Equipment  
 Account 330 – Distribution Reservoirs and Standpipes; and  
 Account 330003 – Capitalized Tank Painting.

**4. Determination of the Safety and Environmental Compliance Program Percentage Rate**

- (A) The SEC percentage shall be expressed as a percentage carried to two (2) decimal places.  
 The SEC percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The SEC percentage shall be calculated on an annual prospective basis as follows:

**FORECASTED SEC Investment Amount**

Less SEC Plant Retirements (Net of Cost of Removal &amp; Salvage)

Less Contributions in Aid of Construction

Less Accumulated Depreciation

Less Accumulated Deferred Income Taxes

Net Forecasted SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Forecasted SEC Pre-Tax Return

Plus Depreciation Expense

Plus Property Taxes

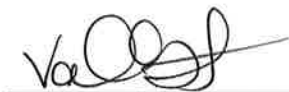
Plus Franchise Taxes

Plus Safety and Environmental Compliance Operational Expenses

Subtotal Forecasted SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

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Forfeited Discounts Rate  
 Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
 Total Forecasted SEC Revenue Requirement  
  
 Divided by Relevant Rate Order Volumetric & Metered Revenue  
  
 SEC Percentage Rate

Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC.

**Accumulated Deferred Income Taxes** = An average of the forecasted accumulated deferred income taxes related to qualified forecasted SEC investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of forecasted SEC infrastructure.

**Depreciation Expense** = Forecasted cumulative qualified SEC investment net of retirements and CIAC, multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Forecasted cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

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**Property Taxes** = Forecasted cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**SEC Plant Retirements** = Forecasted SEC plant removed from service net of any associated cost of removal and salvage.

**Forecasted SEC Investment Amount** = Average forecasted SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

**Safety and Environmental Compliance Expenses** = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

**Uncollectible Expense** = Forecasted SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

- (C) The total amount to be recovered through the SEC is the SEC Percentage Rate as adjusted for the Annual Reconciliation Factor Percentage Rate.

##### **5. Determination of the Annual Reconciliation Factor Percentage Rate**

- (A) The Annual Reconciliation Factor Percentage shall be expressed as a percentage carried to two (2) decimal places. The Annual Reconciliation Factor Percentage shall be applied to the total amount billed to each Customer based on the Company's otherwise applicable rates and charges.
- (B) The Annual Reconciliation Factor Percentage Rate will be computed as follows:

Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment

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Plus Earnings Test Adjustment  
Plus Interest  
 Annual Reconciliation Amount

Divided by 9/12 of the Relevant Rate Order Volumetric & Metered Revenue  
 Annual Reconciliation Factor Percentage Rate

(C) Computation of the Budget-to-Actual Adjustment.

The Budget-to-Actual Adjustment will be computed as follows:

**ACTUAL** SEC Investment Amount for the Annual Review Period  
 Less SEC Plant Retirements (Net of Cost of Removal & Salvage)  
 Less Contributions in Aid of Construction  
 Less Accumulated Depreciation  
Less Accumulated Deferred Income Taxes  
 Net Actual SEC Qualifying Investment

Multiplied by the Pre-Tax ROR set forth in the Relevant Rate Order

Allowed Actual SEC Pre-Tax Return  
 Plus Depreciation Expense  
 Plus Property Taxes  
 Plus Franchise Taxes  
Plus Safety and Environmental Compliance Operational Expenses  
 Subtotal Actual SEC Revenue Requirement Before Revenue Tax

Divided by 1 minus the following:

Forfeited Discounts Rate  
 Plus Uncollectible Expense Rate  
Plus Gross Receipts Tax Rate  
 Total Actual SEC Revenue Requirement

Less Total Forecasted SEC Revenue Requirement


Budget-to-Actual Adjustment

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**Valoria V. Armstrong**  
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Where:

**Accumulated Depreciation** = Accumulated depreciation calculated by debiting for Forecasted SEC plant removed from service, and crediting for new accumulations using rates approved in the Relevant Rate Order on new investments, less retirements and CIAC

**Accumulated Deferred Income Taxes** = An average of the actual accumulated deferred income taxes related to actual SEC investment at the beginning and end of the year.

**Contributions in Aid of Construction** = Non-investor supplied funds used in the construction of actual SEC infrastructure.

**Depreciation Expense** = Actual cumulative qualified SEC investment net of retirements and CIAC multiplied by depreciation rates approved in the Relevant Rate Order.

**Forfeited Discount Rate** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite forfeited discount factor approved in the Relevant Rate Order.

**Franchise Taxes** = Actual cumulative qualified SEC investment multiplied by composite franchise tax rate approved in the Relevant Rate Order.

**Gross Receipts Tax Rate** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite gross receipts tax rate approved in the Relevant Rate Order.

**Property Taxes** = Actual cumulative qualified SEC investment multiplied by composite property tax rate approved in the Relevant Rate Order.

**SEC Plant Retirements** = Actual SEC plant removed from service net of any associated cost of removal and salvage.

**Actual SEC Investment Amount** = Average actual SEC additions to plant infrastructure as described in Section 3, computed by use of average of 12 end-of-month balances.

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**Safety and Environmental Compliance Expenses** = the incremental operational expenses similar to other expenses authorized in previous rate cases that are specifically for safety and environmental compliance or to support safety and environmental compliance utility plant.

**Uncollectible Expense** = Actual SEC Revenue Requirement before gross receipts taxes, uncollectible expense and forfeited discounts multiplied by composite uncollectible factor approved in the Relevant Rate Order.

**Volumetric & Metered Revenue** = the revenues authorized in the Relevant Rate Order for volumetric water sales, meter charges, and private fire service charges.

(D) Computation of the Over-Under Collection Adjustment.

(T) The Company will identify and record the total amount of the SEC Collected from Customers for the Annual Review Period. The difference between the Total SEC Collected from Customers and the Total Budgeted SEC Revenue Requirement shall constitute the Over-Under Collection Adjustment. This adjustment shall include any remaining Over-Under  
(T) amount from the prior period reconciliation during the Annual Review Period in addition to  
(T) the Over-Under collection amount for the EDI during the Annual Review Period.

(E) Computation of the Earnings Test Adjustment.

If the earnings attained by the Company for the Annual Review Period exceed the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then any such earnings difference shall constitute the Earnings Test Adjustment. If the earnings attained by the Company for the Annual Review Period are less than the earnings allowed for the Annual Review Period by applying the overall rate of return authorized in the Relevant Rate Order, then no Earnings Test Adjustment shall be recognized.

Any Earnings Test Adjustment shall be allocated among the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider based on the pro-rata revenues collected under these riders for the Annual Review Period for purposes of computing new rate adjustments.

(F) Computation of Interest.

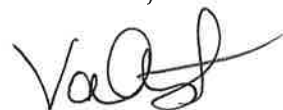
Interest will be computed as follows:

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Budget-to-Actual Adjustment  
Plus Over-Under Collection Adjustment  
Plus Earnings Test Adjustment

Total Amount Subject to Interest  
Interest Rate Multiplied by 50%

Total Interest

Where "Interest Rate" equals the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the most recent preceding month.

## 6. New Base Rates

The SEC rider will be reset at zero upon the establishment of new base rates to customer billings that provide for the prospective recovery of the annual costs that had theretofore been recovered under the SEC. Thereafter, only the costs of new SEC eligible plant additions that have not previously been reflected in the Company's rate base, would be reflected in new annual prospective SEC filings.

## 7. Annual SEC Percentage Rate Filing

On or before December 1 of each year, the Company shall submit to the Commission a calculation of the SEC Percentage Rate for the following calendar year. The Annual SEC Percentage Rate Filing shall be verified by an officer of the Company. The Annual SEC Percentage Rate Filing shall include a calculation to adjust revenue to recover costs related to the Forecasted SEC Investment Amount, with such revenue adjustment applied through the SEC Percentage Rate. The SEC Percentage Rate shall become effective on January 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual SEC Percentage Rate Filing the following information at a minimum: (a) computation of the SEC Percentage Rate, including the detailed calculation of each component, (b) a budget of the Forecasted SEC Investment Amount and Forecasted Safety and Environmental Compliance Operational Expenses adopted by the Company's Board of Directors, (c) any related Strategic Capital Expenditures Plans, (d) statements demonstrating how each projected capital investment comprising the Forecasted SEC Investment Amount and each projected operational expense comprising the Forecasted Safety and Environmental Compliance Operational Expenses meet the requirements for recovery under this Rider set forth in Section 3, and (e) such other information as the Commission may direct.

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BY:



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The Company will simultaneously copy the Consumer Advocate on its Annual SEC Percentage Rate Filing.

#### **8. Annual Reconciliation Filing with the Commission**

On or before March 1 of each year, the Company shall submit to the Commission a reconciliation of the results of the operation of the SEC for the previous Annual Review Period. The Annual Reconciliation Filing shall be verified by an officer of the Company. The annual reconciliation shall include a calculation to adjust revenue collected under this SEC Rider in effect for the prior Annual Review Period to an amount equivalent to the actual level of prudently-incurred SEC cost for the prior Annual Review Period, with such revenue adjustment applied through the Annual Reconciliation Factor Percentage Rate. The Annual Reconciliation Factor Percentage Rate shall become effective on April 1 of each year and be applied as an adjustment to Customers' bills for the remainder of the calendar year.

The Company will include in its Annual Reconciliation Filing the following information at a minimum: (a) a schedule of all journal entries made related to this Rider for the Annual Review Period, including any related general ledger support, (b) actual billing determinants by month as used in the computation of the Total SEC Collected from Customers for the Annual Review Period, (c) capitalization policy effective for the Annual Review Period, (d) computation of the Annual Reconciliation Factor Percentage Rate, including the detailed calculation of each component, (e) schedules of the Actual SEC Investment Amount and Actual Safety and Environmental Compliance Operational Expenses, including related general ledger support, (f) a schedule of any proposed prior period adjustments, (g) an affirmative statement of whether the Company is aware of any changes in market conditions or other factors that may affect whether the Rider is still in the public interest, including the identification of such factors if they exist, (h) the cumulative amount of SEC collected from customers under this Rider, and (i) such other information as the Commission may direct.

The Company will simultaneously copy the Consumer Advocate on its Annual Reconciliation Filing.

#### **9. Notice Requirements**

The Company will file revised tariffs for Commission approval upon 30 days' notice to implement a decrement or an increment each January 1 and April 1. Along with the tariff filing, the Company will include a copy of the computation of the new rate adjustment. The Company will simultaneously copy the Consumer Advocate on this filing.


#### **10. Public Interest Review**

(T) Denotes Change in Text

ISSUED: October 3, 2017

EFFECTIVE: November 2, 2017

BY:

  
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PRESIDENT

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**TENNESSEE-AMERICAN WATER COMPANY**Page 31 of 31  
**TPUC NO. 19****Second Revised Sheet No. 12-SEC-11**

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Nothing herein shall be construed to eliminate or otherwise restrict the opportunity of the Consumer Advocate or any other interested party from seeking a review of this Rider, as permitted by law and the rules and regulations of the Commission, for a reconsideration of whether it remains in the public interest.

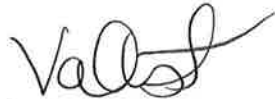
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**EFFECTIVE: November 2, 2017**

**BY:**



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**Valoria V. Armstrong  
PRESIDENT**

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TENNESSEE-AMERICAN WATER COMPANY

TPUC NO. 19  
Twenty-Second Revised Sheet No. 12-Riders-1

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**CLASSIFICATION OF SERVICE**

**SUMMARY OF RIDERS**

**1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

**2. The Percentage of Riders and Reconciliations**

For the Riders defined in the tariffs:

QIIP	19.14% (I)
EDI	1.25% (I)
<u>SEC</u>	<u>9.70% (I)</u>
Subtotal of all Capital Recovery Riders	30.09%

QIIP Annual Reconciliation Percentage	0.00% (I)
EDI Annual Reconciliation Percentage	0.00% (I)
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00% (I)</u>
Subtotal of all Capital Recovery Riders	0.00%

Total of Capital Recovery Riders and Reconciliation Percentages	30.09% (I)
Offset to Capital Recovery Riders for TCJA savings	-6.62%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-4.54% (I)

PCOP	-0.65%
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(I) Indicates Increase

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ISSUED: November 20, 2020 EFFECTIVE: January 1, 2021

BY:

  
Grant A. Evitts  
PRESIDENT

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TENNESSEE-AMERICAN WATER COMPANY

TPUC NO. 19  
Twenty-Fourth Revised Sheet No. 12-Riders-1

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**CLASSIFICATION OF SERVICE**

**SUMMARY OF RIDERS**

**1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider (SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

**2. The Percentage of Riders and Reconciliations**

For the Riders defined in the tariffs:

QIIP	19.14%
EDI	1.25%
<u>SEC</u>	<u>9.70%</u>
Subtotal of all Capital Recovery Riders	30.09%
QIIP Annual Reconciliation Percentage	2.65% (I)
EDI Annual Reconciliation Percentage	-0.50% (D)
<u>SEC Annual Reconciliation Percentage</u>	<u>0.79% (I)</u>
Subtotal of all Capital Recovery Riders	2.94% (I)
Total of Capital Recovery Riders and Reconciliation Percentages	33.03% (I)
Offset to Capital Recovery Riders for TCJA savings	-6.62%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-4.54%
PCOP	-0.65%

(D) Indicates Decrease

(I) Indicates Increase

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ISSUED: March 1, 2021

EFFECTIVE: April 1, 2021

BY:

  
Grant A. Evitts  
PRESIDENT

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Authorization of Tennessee American Water Capital Recovery Riders  
Since Last Rate Case (Docket No. 12-00049)

TPUC Docket No.	Effective Date	Rider	Authorized Annual Change	Total Cumulative Rider	Reconciliation Authorized	Authorized Rider Total	Capital Riders		
							Cumulative Total	TCJA Offset	Impact to Bill
13-00130	4/15/2014	QIIP	0.790%	0.790%	0.000%	0.790%			
		EDI	0.180%	0.180%	0.000%	0.180%			
		SEC	0.110%	0.110%	0.000%	0.110%			
		<b>Total</b>	1.080%		0.000%		<b>1.080%</b>	<b>0.00%</b>	<b>1.080%</b>
14-00121	6/30/2015	QIIP	1.340%	2.130%	0.000%	2.130%			
		EDI	-0.130%	0.050%	0.000%	0.050%			
		SEC	3.430%	3.540%	0.000%	3.540%			
		<b>Total</b>	4.640%		0.000%		<b>5.720%</b>	<b>0.00%</b>	<b>5.720%</b>
15-00029*	11/1/2015	QIIP	0.000%	2.130%	0.254%	2.384%			
		EDI	0.000%	0.050%	-0.150%	-0.100%			
		SEC	0.000%	3.540%	0.064%	3.604%			
		<b>Total</b>	0.000%	5.720%	0.168%		<b>5.888%</b>	<b>0.00%</b>	<b>5.888%</b>
15-00111	3/15/2016	QIIP	2.430%	4.560%	0.000%	4.560%			
		EDI	0.050%	0.100%	0.000%	0.100%			
		SEC	2.180%	5.720%	0.000%	5.720%			
		<b>Total</b>	4.660%		0.000%		<b>10.380%</b>	<b>0.00%</b>	<b>10.380%</b>
16-00022*	10/11/2016	QIIP	0.000%	4.560%	1.166%	5.726%			
		EDI	0.000%	0.100%	-0.178%	-0.078%			
		SEC	0.000%	5.720%	-0.118%	5.602%			
		<b>Total</b>	0.000%		0.870%		<b>11.250%</b>	<b>0.00%</b>	<b>11.250%</b>
16-00126	3/14/2017	QIIP	2.960%	7.520%	0.000%	7.520%			
		EDI	0.240%	0.340%	0.000%	0.340%			
		SEC	0.370%	6.090%	0.000%	6.090%			
		<b>Total</b>	3.570%		0.000%		<b>13.950%</b>	<b>0.00%</b>	<b>13.950%</b>
17-00020*	8/16/2017	QIIP	0.000%	7.520%	1.763%	9.283%			
		EDI	0.000%	0.340%	-0.031%	0.309%			
		SEC	0.000%	6.090%	-0.826%	5.264%			
		<b>Total</b>	0.000%		0.906%		<b>14.856%</b>	<b>0.00%</b>	<b>14.856%</b>
17-00124	4/10/2018	QIIP	2.530%	10.050%	0.000%	10.050%			
		EDI	0.070%	0.410%	0.000%	0.410%			
		SEC	-0.120%	5.970%	0.000%	5.970%			
		<b>Total</b>	2.480%		0.000%		<b>16.430%</b>	<b>0.00%</b>	<b>16.430%</b>
18-00022*	12/17/2018	QIIP	0.000%	10.050%	1.542%	11.592%			
		EDI	0.000%	0.410%	-0.081%	0.329%			
		SEC	0.000%	5.970%	-0.628%	5.342%			
		<b>Total</b>	0.000%		0.833%		<b>17.263%</b>	<b>0.00%</b>	<b>17.263%</b>
18-00120	9/1/2019	QIIP	1.600%	11.650%	0.000%	11.650%			
		EDI	0.240%	0.650%	0.000%	0.650%			
		SEC	0.910%	6.880%	0.000%	6.880%			
		<b>Total</b>	2.750%		0.000%		<b>19.180%</b>	<b>-6.62%</b>	<b>12.560%</b>
19-00031*	12/9/2019	QIIP	0.000%	11.650%	-1.140%	10.510%			
		EDI	0.000%	0.650%	-0.320%	0.330%			
		SEC	0.000%	6.880%	-0.920%	5.960%			
		<b>Total</b>	0.000%		-2.380%		<b>16.800%</b>	<b>-6.62%</b>	<b>10.180%</b>
19-00105	1/1/2020	QIIP	2.630%	14.280%	0.000%	14.280%			
		EDI	0.490%	1.140%	0.000%	1.140%			
		SEC	1.910%	8.790%	0.000%	8.790%			
		<b>Total</b>	5.030%		0.000%		<b>24.210%</b>	<b>-6.62%</b>	<b>17.590%</b>
20-00028*	4/1/2020	QIIP	0.000%	14.280%	-2.310%	11.970%			
		EDI	0.000%	1.140%	-0.510%	0.630%			
		SEC	0.000%	8.790%	-1.260%	7.530%			
		<b>Total</b>	0.000%		-4.080%		<b>20.130%</b>	<b>-6.62%</b>	<b>13.510%</b>
20-00128	1/1/2021	QIIP	4.860%	19.140%	0.000%	19.140%			
		EDI	0.110%	1.250%	0.000%	1.250%			
		SEC	0.910%	9.700%	0.000%	9.700%			
		<b>Total</b>	5.880%		0.000%		<b>30.090%</b>	<b>-11.16%</b>	<b>18.930%</b>
21-000XX*	4/1/2021	QIIP	0.000%	19.140%	2.650%	21.790%			
		EDI	0.000%	1.250%	-0.500%	0.750%			
		SEC	0.000%	9.700%	0.790%	10.490%			
		<b>Total</b>	0.000%		2.940%		<b>33.030%</b>	<b>-11.16%</b>	<b>21.870%</b>

\* Reconciliations are only effective until December 31 of the year authorized by the TPUC.

STATE OF Kentucky )  
COUNTY OF Fayette )

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Elaine K. Chambers, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Public Utility Commission, and if present before the Commission and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.

*Elaine K. Chambers*

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Elaine K. Chambers

Sworn to and subscribed before me  
this 26<sup>th</sup> day of February, 2021.

*Sharon Miller*  
\_\_\_\_\_  
Notary Public

My Commission Expires: 7/25/24