

June 21, 2022

VIA ELECTRONIC FILING

Hon. Kenneth C. Hill, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
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Electronically Filed in TPUC Docket
Room on June 21, 2022 at 2:55 p.m.

RE: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2022 Capital Recovery Riders Reconciliation, Docket No. 22-00021*

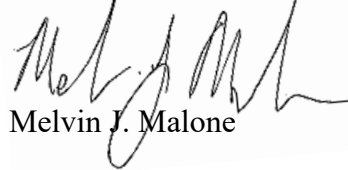
Dear Chairman Hill:

Attached for filing please find the *Rebuttal Testimony of Tricia N. Sinopole* in the above-captioned matter.

As required, one (1) hard copy of this filing will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Tricia Sinopole, TAWC
Karen H. Stachowski, Consumer Advocate Unit
Vance Broemel, Consumer Advocate Unit

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 22-00021

REBUTTAL TESTIMONY

OF

TRICIA N. SINOPOLE

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 2022 CAPITAL RECOVERY RIDERS
RECONCILIATION (RECONILIATION FOR CALENDAR YEAR 2021)**

SPONSORING PETITIONER'S EXHIBITS:

**PETITIONER'S REBUTTAL EXHIBIT – CAPITAL RIDERS RECONCILIATION –
TNS**

PETITIONER'S REBUTTAL EXHIBIT – EARNINGS TEST - TNS

**PETITIONER'S REBUTTAL EXHIBIT – PROPOSED TARIFF SHEET NO. 12 –
RIDERS – TNS**

PETITIONER'S REBUTTAL EXHIBIT – ANNUAL APPROVED TARIFFS – TNS

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

2 A. My name is Tricia N. Sinopole and my business address is 2223 Duke Street Alexandria,
3 VA 22314.

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, Rates
6 and Regulatory for Tennessee-American Water (“TAW” or “the Company”) and
7 Kentucky-American Water.

8 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I did.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. The purpose of my rebuttal testimony is to respond to revisions proposed to the calculation
12 for the 2022 Capital Recovery Riders Reconciliation for the calendar year 2021, based on
13 the pre-filed testimony of David N. Dittimore.

14 **Q. IN HIS TESTIMONY, MR. DITTEMORE PROPOSES ADJUSTMENTS TO THE**
15 **EARNINGS TEST. WHO SPONSORED THE EARNINGS TEST IN 13-00130?**

16 A. As noted by Tennessee American Water Company (“TAWC” or the “Company”) in TPUC
17 Docket No. 18-00120, the earnings test was first proposed by the Consumer Advocate
18 (“CA”).¹ The earnings test adopted by the Commission was submitted by the parties,
19 TAWC and the Consumer Advocate, as part of the Stipulation in Docket No. 13-00130.
20 Nonetheless, as outlined and evidenced in TPUC Docket No. 18-00120, the Consumer
21 Advocate continues to amend and revise its views on the earnings test mechanism agreed
22 to by TAWC

¹ See CA Witness William H. Novak’s Direct Testimony, pp. 18-19, TPUC Docket No. 13-00130 (Dec. 20, 2013).

1 and the Consumer Advocate and adopted by the Commission. Respecting the decisions of
2 the Commission in TPUC Docket No. 18-00120, in which the Commission rejected, as it
3 had previously, the Consumer Advocate's attacks on the earnings test, any consideration
4 of additional Consumer Advocate proposed adjustments to the earnings test are more
5 appropriately addressed in the generic case on the Capital Recovery Riders, TPUC Docket
6 No. 19-00103. The Consumer Advocate's consistent attempts to completely recast the
7 earnings test, absent any discussion with TAWC in this case regarding the same, should
8 fail again.²

9 **Q. MR. DITTEMORE PROPOSES ADJUSTMENTS TO THE EARNINGS TEST TO**
10 **ELIMINATE THE DUPLICATION OF MATERIALS AND SUPPLIES**
11 **INCLUDED WITHIN THE COMPANY'S EARNINGS TEST CALCULATION.³**
12 **DO YOU AGREE WITH THIS ADJUSTMENT?**

13 A. I agree with a partial adjustment. While there is a portion of materials and supplies that is
14 included in the Company's Working Capital balance of \$3,409,884, the full amount as of
15 December 31, 2021 is not included. In Mr. Dittmore's testimony on page 10, starting on
16 line 3, he indicates that he's able to reconcile the exact amount of materials and supplies
17 included in the \$3,409,884 working capital balance included in TAWC's earnings test. He
18 shows the amount of materials and supplies included in the working capital balance is
19 \$301,364. The \$301,364 amount identified by Mr. Dittmore is \$696,706 less than the
20 \$998,070 per books 13-month average amount of materials and supplies included in
21 TAWC's earnings test.

² See, e.g., Pre-filed Rebuttal Testimony of TAWC Witness Elaine K. Chambers, pp. 7-9, TPUC Docket No. 18-00120 (June 28, 2019).

³ Pre-Filed Testimony of David N. Dittmore, pp. 9-13, <Exhibit DND-5>.

1 **Q. BASED ON THIS, DO YOU SUPPORT ADJUSTING THE AMOUNT OF**
2 **MATERIALS AND SUPPLIES FROM THE \$998,070 ORIGINALLY INLCUED**
3 **IN THE EARNINGS TEST TO \$696,706 TO ACCOUNT FOR THE DIFFERENCE?**

4 A. Yes, I do. Adjusting out the \$301,364 of materials and supplies already included in the
5 Working Capital rate base addition ensures there is no duplication in the calculation. This
6 adjustment is included as D/ Adjust for Amount Included in Working Capital in Petitioner's
7 Rebuttal Exhibit – Earnings Test – TNS. Consistent with the Company's response to No.
8 2-1 of the Consumer Advocate's Second Discovery Request, this allows for the additional
9 amount of materials and supplies on the Company's books as of the end of the test period
10 to be included as part of rate base in the Earnings Test, while eliminating the need for a
11 lead-lag study outside of a general rate case, as suggested by David Dittimore's testimony
12 on pp. 12-13.

13 **Q. WOULD A LEAD-LAG STUDY BE MORE APPROPRIATE TO INCLUDE AS**
14 **PART OF A GENERAL RATE CASE RATHER THAN IN A CAPITAL RIDER**
15 **RECONCILIATION?**

16 A. Yes, lead-lag studies are typically done as part of a general rate case filing because they
17 can be very time consuming and costly. The intent of the capital rider filings and
18 reconciliation is to reduce the need for general rate cases, minimize expenses and to have
19 a more efficient, streamlined regulatory process. Requiring a lead-lag study as part of a
20 capital rider reconciliation filing would be counter intuitive to these goals. The
21 Commission recognized this in its Order in Docket No. 13-00130, where it stated: "The
22 Company's timely recovery of prudently incurred costs related to investments in
23 infrastructure and related expenses under the Capital Recover(y) Riders...should lessen the

1 need for full-scale rate proceedings, which in turn should result in decreased amount of
2 legal fees and rate case expenses included in customer rates.”⁴

3 **Q. DOES THE COMMISSION ALLOW FOR THE INCLUSION OF MATERIALS**
4 **AND SUPPLIES AS A PART OF THE RATE BASE CALCULATION?**

5 A. Yes, it does. In its Waste/Water Annual Report (Excel.xlsm file) template, the Commission
6 includes a separate line for Materials and Supplies as an addition to rate base on the
7 RATEOFRETURN worksheet, in addition to the line allowed for Working Capital
8 Allowance. TAWC believes including the amount of materials and supplies above what is
9 included in the working capital allowance is consistent with what is provided in the
10 Waste/Water Annual Report template provided by the Commission.

11 **Q. MR. DITTEMORE ALSO PROPOSES TO INCREASE THE ACCUMULATED**
12 **DEFERRED INCOME TAX (“ADIT”) BALANCE WITHIN THE EARNINGS**
13 **TEST BY \$183,787.⁵ DO YOU AGREE WITH THIS ADJUSTMENT?**

14 A. I agree with a partial adjustment. While I agree it would be appropriate to synchronize the
15 treatment of disallowed O&M items, such as incentive compensation, which includes stock
16 options, there was no O&M adjustment for charitable contributions in the earnings test and
17 therefore an adjustment to synchronize ADIT is not necessary for the charitable
18 contribution items. The ADIT adjustment as proposed by Mr. Dittemore in Exhibit DND-
19 6 ADIT Sync is \$145,533 for 2021 when excluding the Charitable Contributions – NOL
20 Converted and Charitable Contributions (State) amounts, which are \$33,036 and \$5,218
21 respectively. TAWC agrees to the \$145,533 adjustment and it is included on Line 16 in

⁴ *Final Order*, p. 10, TPUC Docket No. 13-00130.

⁵ Pre-Filed Testimony of David N. Dittemore, p. 13, <Exhibit DND-6>.

Petitioner's Rebuttal Exhibit – Earnings Test – TNS and footnoted as E/ Adjust for ADIT Synchronization Between O&M and Rate Base.

Q. MR. DITTEMORE ALSO PROPOSES TO ELIMINATE EXCESS PURCHASED POWER AND CHEMICAL COSTS FROM THE COMPANY'S OPERATING AND MAINTENANCE EXPENSES WITHIN THE EARNINGS TEST CALCULATION.⁶ DO YOU AGREE WITH THIS?

A. No, I do not. Mr. Dittemore spends a significant amount of time in his testimony on excess water losses and the Company's Production Costs and Other Pass-Throughs Rider ("PCOP"), which is unrelated to the Capital Riders Reconciliation. Prior to this docket, to my knowledge, non-revenue water and the Company's PCOP rider have never been an issue with respect to the Capital Recovery Riders Reconciliation and the Earnings Test, nor should they be now.

Q. ARE THE LEVELS OF SYSTEM DELIVERY OR WATER SALES REPORTED ANYWHERE IN THE CAPITAL RIDER RECONCILIATION OR EARNINGS TEST?

A. No, they are not. These items are not required to be reported in the Capital Rider Reconciliation or Earnings Test because there are not any adjustments that pertain to non-revenue water, which is the difference between system delivery and water sales. Mr. Dittemore is simply taking what was filed in TAWC's 2022 PCOP filing and using it as the basis for an adjustment in the Earnings Test, which is unrelated to the PCOP filing.

⁶ Pre-Filed Testimony of David N. Dittemore, pp. 13-17, <Exhibit DND-7>.

1 **Q. HAS AN ADJUSTMENT EVER BEEN MADE TO LIMIT THE AMOUNT OF**
2 **PURCHASED POWER AND CHEMICALS TO BE INCLUDED IN TAWC’S**
3 **EARNINGS TEST?**

4 A. No, it has not. As stated in TAWC’s response to question two of the Consumer Advocate’s
5 Second Discovery Request, the per books production cost expense is the actual cost to
6 TAWC and therefore the full amount of the expenses should be included in the earnings test.
7 Calculating the earnings test in this manner is consistent with the same methodology that
8 TAWC has always employed and the Commission has long accepted. The contention of the
9 Consumer Advocate here represents another instance of an unsupported attempt to revise the
10 Earnings Test crafted by the CA, agreed to by the parties and approved by the Commission,
11 absent any discussion with TAWC in this case. Any consideration of additional Consumer
12 Advocate proposed adjustments such as this to the earnings test are more appropriately
13 addressed in the generic case on the Capital Recovery Riders, TPUC Docket No. 19-00103.

14 **Q. REFERRING TO PAGE 18, TABLE 2 OF HIS TESTIMONY, MR. DITTEMORE**
15 **SHOWS A RATE BASE COMPARISON AND CONCLUDES THAT TAWC IS**
16 **COLLECTING RATES BASED ON RATE BASE LEVELS THAT ARE**
17 **SIGNIFICANTLY HIGHER THAN THE COMPANY’S RATE BASE**
18 **CALCULATION. WHAT IS YOUR RESPONSE TO THIS?**

19 A. As Mr. Dittmore states in his testimony, the Commission opened TPUC Docket No. 19-
20 00103 to address whether changes to TAWC’s Capital Recovery Riders are appropriate.
21 TAWC has been working collaboratively and cooperatively with the Consumer Advocate,
22 as well as the other parties, to address certain concerns with the Capital Recovery Riders
23 in Docket No. 19-00103. Because of the good faith efforts the parties have made in working

1 toward settling Docket No. 19-00103, TAWC believes that issues such as the rate base
2 issue Mr. Dittemore brought up in this proceeding are better suited for Docket No. 19-
3 00103. On page 18, lines 10-11 of his testimony, it appears that Mr. Dittemore agrees.

4 **Q. IS MR. DITTEMORE PROPOSING ANY ADJUSTMENTS OUTSIDE OF THE**
5 **EARNINGS TEST ADJUSTMENTS DISCUSSED PREVIOUSLY?**

6 A. Yes, he is. He is proposing two additional rate base adjustments.

7 **Q. DO YOU AGREE WITH MR. DITTEMORE'S PROPOSED ADJUSTMENT NO. 1,**
8 **WHICH INCREASES THE BALANCE OF ADIT BY \$355,900?⁷**

9 A. Yes, I do. Since TAWC is using the proration method to calculate ADIT for 2021, it is not
10 necessary to also divide the prorated amount for the full 12 months of 2021 by two.

11 **Q. CAN YOU PLEASE IDENTIFY WHERE THE CALCULATION FOR THE ADIT**
12 **CALCULATION HAS BEEN UPDATED IN THE REBUTTAL EXHIBIT?**

13 A. Yes, I can. In the Petitioner's Rebuttal Exhibit – Capital Riders Reconciliation – TNS, on
14 the WKP 2021 ADIT Summary worksheet tab, the Average ADIT formula has been
15 updated to remove dividing the prorated amount by two. As stated in Mr. Dittemore's
16 testimony, this results in an increase of \$355,900 to TAWC's overall Average ADIT
17 balance.

18 **Q. DO YOU AGREE WITH MR. DITTEMORE'S PROPOSED ADJUSTMENT NO. 2,**
19 **WHICH ELIMINATES CAPITALIZED INCENTIVE COMPENSATION COSTS**
20 **FOR 2017 TO 2021?**

21 A. Yes, I do. As stated in TAWC's response to the Consumer Advocate's First Discovery
22 Request in question 21, part b, TAWC inadvertently did not remove the capitalized service

⁷ Pre-Filed Testimony of David N. Dittemore, pp. 5-7, <Exhibit DND-3>

1 company incentive compensation piece for 2017 to 2021 but did remove amounts from
2 2013 to 2016. In the Company's response to the data request, 50 percent of the capitalized
3 portion of service company incentive compensation was removed for 2017 and 2018, as
4 authorized in those years. And for 2019 to 2021, TAWC removed 100 percent of the
5 capitalized portion of service company as ordered in Docket No. 2018-00022, where
6 TAWC was ordered to exclude 100 percent of incentive compensation for service company
7 in the earnings test and subsequently any capitalized portion in the capital riders. Mr.
8 Dittemore's proposed adjustment matches the adjustment proposed by TAWC in the data
9 request and therefore TAWC agrees with it. TAWC has made this adjustment in the
10 Petitioner's Rebuttal Exhibit – Capital Riders Reconciliation – TNS on Line 20. The
11 amounts for QIIP, EDI and SEC have been included in the APP Revenue Reduction to
12 match the data request respectively.

13 **Q. ARE YOU SPONSORING ANY REVISED EXHIBITS?**

14 A. Yes, I am. I am sponsoring the following revised exhibits:

15 **Petitioner's Rebuttal Exhibit – Capital Riders Reconciliation – TNS**

16 **Petitioner's Rebuttal Exhibit – Earnings Test - TNS**

17 **Petitioner's Rebuttal Exhibit – Proposed Tariff Sheet No. 12 – Riders – TNS**

18 **Petitioner's Rebuttal Exhibit – Annual Approved Tariffs – TNS**

19
20 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
21 **OR UNDER YOUR DIRECT SUPERVISION?**

22 A. Yes.

1 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**
2 **PETITIONER’S EXHIBITS LIST ABOVE?**

3 A. The data used to prepare the exhibits was acquired from the books of account and business
4 records of Tennessee American and other internal sources, which I examined in the course
5 of my investigation of the matters addressed in this testimony.

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

9 A. Yes.

10 **Q. DO ANY OF THE PETITIONER’S REVISED EXHIBITS REPLACE ANY**
11 **EXHIBITS PREVIOUSLY SUBMITTED IN THIS MATTER?**

12 A. Yes. The four exhibits attached to my rebuttal testimony replace the exhibits previously
13 filed with my supplemental testimony on 4/27/2022.

14 **Q. HAVE YOU INCLUDED THE REVISED CALCULATION OF THE 2022**
15 **CAPITAL RECOVERY RIDERS RECONCILIATION FROM WHAT WAS**
16 **ORIGINALLY SET FORTH IN THE PETITION?**

17 A. Yes. I have attached an exhibit that reflects the revised calculation of the 2022 Capital
18 Riders Reconciliation. The detailed calculations are attached in an exhibit to my rebuttal
19 testimony as Petitioner’s Rebuttal Exhibit - Capital Riders’ Reconciliation – TNS.

20 **Q. HOW ARE THE 2022 CAPITAL RECOVERY RIDERS RECONCILIATION**
21 **RECOVERED?**

22 A. The 2022 Capital Recovery Riders Reconciliation is expressed as a percentage. The
23 proposed revised tariff sheet Twenty-Eighth Revised Sheet No. 12 – Riders – 1 is attached

to my rebuttal testimony as **Petitioner’s Rebuttal Exhibit – Proposed Tariff Sheet No. 12 – TNS.**

Q. WHAT IS THE REVISED PROPOSED QIIP RIDER?

A. TAWC is proposing a QIIP Rider that results in revenue refund of \$292,505 for nine months of 2022 year or a sur-credit of -0.83%. TAWC previously proposed a QIIP Rider that resulted in revenue refund of \$223,935 for nine months of 2022 year or a sur-credit of -0.63%.

Q. WHAT IS THE REVISED PROPOSED EDI RIDER?

A. TAWC is proposing an EDI Rider that results in revenue recovery of \$186,754 for nine months of 2022 year or a surcharge of 0.53%. TAWC previously proposed an EDI Rider that resulted in revenue recovery of \$192,654 for nine months of 2022 year or a surcharge of 0.55%.

Q. WHAT IS THE REVISED PROPOSED SEC RIDER?

A. TAWC is proposing a SEC Rider that results in revenue refund of \$539,876 for nine months of 2022 year or a sur-credit of -1.53%. TAWC previously proposed a SEC Rider that resulted in revenue refund of \$513,377 for nine months of 2022 year or a sur-credit of -1.45%.

Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL SUBMITTED IN THE SUPPLEMENTAL FILING ON 4/27/22?

A. The typical residential customer living in the City of Chattanooga, using an average of 4,154 gallons per month, will see a decrease in their bill of \$0.06 per month, or \$0.54 for nine months in 2022 as compared to the rates implemented in the supplemental filing on 4/27/22.

1 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL BEING**
2 **SUBMITTED IN THE REBUTTAL TESTIMONY?**

3 A. The typical residential customer living in the City of Chattanooga, using an average of
4 4,154 gallons per month, will see a decrease in their bill of \$0.39 per month, or \$3.51 for
5 nine months in 2022. I am also providing the updated table reflecting the detailed changes
6 for each Capital Recovery Rider, including the reconciliations. This is attached to my
7 supplemental testimony as **Petitioner’s Rebuttal Exhibit – Annual Approved Tariffs –**
8 **TNS.**

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

10 A. I recommend that the petition be approved for the adjustment in the 2022 Capital Rider
11 Reconciliation, as amended by my rebuttal testimony.

12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13 A. Yes.

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 12/31/2021

Line Number	Description	Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2021			Economic Development Investment EDI Average YTD 12/31/2021			Safety and Environmental Compliance SEC Average YTD 12/31/2021			Total Average YTD 12/31/2021		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$76,285,161	\$77,480,819	(\$1,195,657)	\$7,522,853	\$5,491,176	\$2,031,677	\$37,403,513	\$37,888,110	(\$484,597)	\$121,211,527	\$120,860,105	\$351,422
2	Plus: Cost of Removal less Salvage	15,093,815	11,620,911	3,472,904	2,021	2,595	(574)	4,002,089	4,085,458	(83,369)	19,097,925	15,708,964	3,388,961
3	Less: Contributions in Aid to Construction (CIAC)	2,313,410	2,308,894	4,516	155,420	111,457	43,963	0	0	0	2,468,830	2,420,351	48,479
4	Less: Deferred Income Taxes	8,944,187	8,859,405	84,782	744,769	398,509	346,260	4,783,767	4,821,320	(37,553)	14,472,723	14,079,234	393,489
5	Less: Accumulated Depreciation	5,649,005	5,415,472	233,533	172,794	159,454	13,340	4,147,501	4,215,777	(68,276)	9,969,300	9,790,703	178,597
6	Net Investment Supplied Additions:	\$74,472,374	\$72,517,959	\$1,954,415	\$6,451,891	\$4,824,351	\$1,627,539	\$32,474,334	\$32,936,471	(\$462,137)	\$113,398,599	\$110,278,781	\$3,119,818
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:	\$6,293,997	\$6,128,821	\$165,176	\$545,278	\$407,728	\$137,551	\$2,744,553	\$2,783,610	(\$39,057)	\$9,583,829	\$9,320,159	\$263,670
10													
11	Depreciation Expense on Additions:	1,987,235	1,682,459	304,775	107,215	86,705	20,510	1,087,246	1,164,180	(76,935)	3,181,696	2,933,345	248,351
12													
13	Property and Franchise Taxes Associated:	945,018	916,126	28,892	101,674	74,175	27,499	472,843	475,421	(2,578)	1,519,535	1,465,722	53,813
14													
15	Revenues:	9,226,250	8,727,406	498,844	754,168	568,608	185,560	4,304,642	4,423,211	(118,570)	14,285,059	13,719,226	565,834
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	9,530,364	9,015,077	515,287	779,027	587,351	191,676	4,446,530	4,569,009	(122,478)	14,755,921	14,171,436	584,484
19													
20	APP Revenue Reduction	(21,125)	(4,558)	(16,567)	(1,524)	(168)	(1,356)	(12,414)	(4,700)	(7,714)	(35,063)	(9,426)	(25,637)
21													
22	Total Capital Riders Revenues with Revenue Taxes & APP	\$9,509,238	\$9,010,519	\$498,720	\$777,502	\$587,183	\$190,320	\$4,434,117	\$4,564,309	(\$130,192)	\$14,720,858	\$14,162,010	\$558,847
23													
24													
25	Actual Capital Riders Revenues Billed	\$9,771,579			\$379,650			\$4,761,322			\$14,912,552		
26													
27	(Over)/Under Capital Riders Revenue Billings	(761,060)			207,532			(197,013)			(750,541)		
28	Budget to Actual Adjustment	498,720			190,320			(130,192)			558,847		
29	2021 Private Fire Billing Adjustment	19,171			745			9,341			29,258 (a)		
30	2020 Reconciliation Amount	842,114			(180,376)			218,713			880,451		
31	Earnings Test Adjustment	(735,337)			(28,570)			(358,302)			(1,122,208)		
32	2021 Capital Riders Revenue Reserve	(151,437)			(5,884)			(73,789)			(231,110) (b)		
33	Interest (Prime - 3.25%)	(4,677)			2,986			(8,633)			(10,324)		
34													
35	Reconciliation Amount	(\$292,505)			\$186,754			(\$539,876)			(\$645,627)		
36													
37	Authorized Capital Riders Revenues (9/12th)	\$35,305,293			\$35,305,293			\$35,305,293			\$35,305,293		
38													
39	Current Reconciliation Factor Percentage	-0.83%			0.53%			-1.53%			-1.83%		
40													

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 worksheet.

(a) Credits given that were in excess of the amount the company owed to past private fire customers continued into 2021.

(b) Remove the revenue reserve for the estimated 2021 capital riders reconciliation.

Tennessee American Water Company
2021 Reconciliation of Capital Riders
Earnings Test

Line #	Notes / Changes from	December-20	January-21	February-21	March-21	April-21	May-21	June-21
1	Additions:							
2	Plant in Service	\$387,159,250	\$388,048,667	\$389,864,501	\$392,604,325	\$392,425,021	\$393,828,282	\$395,808,227
3	Plant Under Construction	4,909,451	5,390,173	6,144,710	4,718,050	5,534,206	6,827,042	6,654,072
4	Property Held For Future Use	0	0	0	0	0	0	0
5	Materials and Supplies D/	694,589	639,148	621,504	703,555	683,471	605,163	667,266
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	\$396,173,174	\$397,487,872	\$400,040,599	\$401,435,814	\$402,052,582	\$404,670,371	\$406,539,449
12								
13								
14	Deductions:							
15	Accumulated Depreciaton and Amortization	\$95,648,237	\$96,483,943	\$97,677,379	\$97,985,006	\$97,697,493	\$98,288,002	\$98,701,296
16	Accumulated Deferred Income Taxes E/	50,506,290	50,665,801	50,875,726	51,416,735	51,410,039	51,536,536	51,631,202
17	Unamortized Investment Credit - Pre 1971	0	0	0	0	0	0	0
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	18,009,342	17,994,414	18,052,137	18,027,988	18,017,863	18,159,402	18,107,056
21	Customer Advances for Construction	5,970,899	6,182,722	6,164,815	6,193,606	6,323,937	8,529,837	8,621,985
22	All Other A/	1,759,005	1,985,104	1,537,152	1,309,521	2,150,117	2,299,217	1,405,120
23	Jasper Highlands Reg. Liab.	865,800	865,800	865,800	865,800	865,800	865,800	865,800
24								
25								
26	Total Deductions	\$172,759,573	\$174,177,784	\$175,173,009	\$175,798,656	\$176,465,249	\$179,678,794	\$179,332,459
27								
28	Rate Base	\$223,413,601	\$223,310,088	\$224,867,590	\$225,637,158	\$225,587,333	\$224,991,577	\$227,206,990
29								
30	Net Operating Income		\$933,634	\$1,253,522	\$939,337	\$1,414,942	\$1,572,818	\$1,783,627
31	Adjustments to NOI:							
32	2020 Earnings Test Surcharge Credits After tax basis							
33	Allowance for funds used during construction After tax basis		12,310	13,267	7,994	13,462	14,676	21,123
34	Adjustment to reflect effective federal		0	0	0	0	0	0
35	Income tax rate (debt assigned to parent) After tax basis		28,752	28,952	29,051	29,045	28,968	29,253
36	Interest on customer deposits		0	0	0	0	0	0
37	Incentive Compensation After tax basis		32,259	33,986	84,935	35,213	35,221	88,546
38	Lobbying Expenses		931	15,481	481	0	15,300	1,852
39	Lobbying - Salary See Lobby Salary Exhibit tab		1,639	839	1,672	1,451	1,039	1,565
40	Labor - Non-recurring After tax basis							
41	Legal - Main Break After tax basis							
42								
43	Adjusted Net Operating Income		\$1,009,526	\$1,346,047	\$1,063,470	\$1,494,113	\$1,668,022	\$1,925,966
44								
45								
46	Rate of return B/		5.42%	7.18%	5.66%	7.95%	8.90%	10.17%

Tennessee American Water Company
2021 Reconciliation of Capital Riders
Earnings Test

<u>Line #</u>	<u>Notes / Changes from</u>	<u>December-20</u>	<u>January-21</u>	<u>February-21</u>	<u>March-21</u>	<u>April-21</u>	<u>May-21</u>	<u>June-21</u>
A/ All Other								
	Acquisition adjustment	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579
	Accounts payable applicable to CWIP	(385,163)	(150,328)	(473,728)	(322,532)	518,708	700,699	(139,721)
	Unpaid for materials and supplies	9,736	5,737	21,299	8,740	(2,944)	(23,375)	(26,282)
	Taxes on CIAC-DEF. FIT & SIT	(1,615,147)	(1,619,884)	(1,759,998)	(2,126,266)	(2,115,226)	(2,127,686)	(2,178,456)
		\$1,759,005	\$1,985,104	\$1,537,152	\$1,309,521	\$2,150,117	\$2,299,217	\$1,405,120
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
D/ Adjust for Amount Included in Working Capital								
		(301,364)	(301,364)	(301,364)	(301,364)	(301,364)	(301,364)	(301,364)
E/ Adjust for ADIT Synchronization Between O&M and Rate Base								
			145,533	145,533	145,533	145,533	145,533	145,533
	Rate of Return - 2021	7.59%						
	Authorized Rate of Return	7.23%	(Schedule 1 Exhibit to Settlement Agreement Docket No. 12-00049)					
	Authorized Adjusted Net Operating Income	\$16,597,382						
	Actual 2021 Adjusted Net Operating Income	\$17,426,300						
	Above or (Below) Earnings	\$828,919						
	Gross-up Income Tax Rate	1.3538212						
	Revenue Requirement	\$1,122,208						

Tennessee American Water Company
2021 Reconciliation of Capital Riders
Earnings Test

Line #		July-21	August-21	September-21	October-21	November-21	December-21	13Mth Average	
1	Additions:								
2	Plant in Service	\$396,864,823	\$398,426,960	\$400,601,257	\$403,878,791	\$409,800,938	\$414,722,861	\$397,233,377	
3	Plant Under Construction	7,762,820	9,083,076	10,192,437	9,572,741	6,173,823	4,091,519	6,696,471	
4	Property Held For Future Use	0	0	0	0	0	0	0	
5	Materials and Supplies D/	701,254	662,145	637,115	839,209	823,561	779,204	696,706	
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	\$408,738,781	\$411,582,065	\$414,840,693	\$417,700,625	\$420,208,206	\$423,003,468	\$408,036,438	
12									
13									
14	Deductions:								
15	Accumulated Depreciaton and Amortization	\$99,298,031	\$99,988,733	\$100,283,592	\$101,020,909	\$101,694,164	\$102,753,954	99,040,057	
16	Accumulated Deferred Income Taxes E/	51,807,646	51,925,048	51,212,106	51,271,412	51,291,663	50,629,139	51,244,565	
17	Unamortized Investment Credit - Pre 1971	0	0	0	0	0	0	0	
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	18,082,091	18,056,959	18,358,420	18,411,139	18,421,553	18,808,619	18,192,845	
21	Customer Advances for Construction	8,651,178	8,554,870	8,245,405	8,302,769	8,141,766	7,657,371	7,503,166	
22	All Other A/	1,198,710	2,151,709	1,505,889	1,213,850	2,125,993	564,286	1,631,206	
23	Jasper Highlands Reg. Liab.	865,800	865,800	865,800	865,800	865,800	815,400	861,923	
24									
25									
26	Total Deductions	\$179,903,456	\$181,543,119	\$180,471,212	\$181,085,879	\$182,540,939	\$181,228,769	\$178,473,761	
27									
28	Rate Base	\$228,835,325	\$230,038,946	\$234,369,481	\$236,614,746	\$237,667,267	\$241,774,699	\$229,562,677	13Mth Average Rate Base
29								Total	
30	Net Operating Income	\$1,754,990	\$1,960,659	\$1,238,436	\$1,602,365	\$1,115,418	\$457,931	\$16,027,679	12Mths Net Operating Income
31	Adjustments to NOI:								
32	2020 Earnings Test Surcharge Credits							0	
33	Allowance for funds used during construction	8,179	21,917	29,712	30,203	20,734	24,083	217,663	
34	Adjustment to reflect effective federal	0	0	0	0	0	0	0	
35	Income tax rate (debt assigned to parent)	29,462	29,617	30,173	30,462	30,597	31,125	355,457	
36	Interest on customer deposits	0	0	0	0	0	0	0	
37	Incentive Compensation	36,032	35,908	159,609	36,898	37,007	128,093	743,707	
38	Lobbying Expenses	15,481	0	0	14,787	315	655	65,283	
39	Lobbying - Salary	1,119	1,137	1,647	1,895	1,119	1,390	16,512	
40	Labor - Non-recurring							0	
41	Legal - Main Break							0	
42									
43	Adjusted Net Operating Income	\$1,845,263	\$2,049,238	\$1,459,577	\$1,716,611	\$1,205,190	\$643,278	\$17,426,300	12Mths Adjusted Net Operating Income
44									
45									
46	Rate of return B/	9.68%	10.69%	7.47%	8.71%	6.09%	3.19%	7.59%	

Tennessee American Water Company
2021 Reconciliation of Capital Riders
Earnings Test

<u>Line #</u>	<u>July-21</u>	<u>August-21</u>	<u>September-21</u>	<u>October-21</u>	<u>November-21</u>	<u>December-21</u>	<u>13Mth Average</u>
A/ All Other							
Acquisition adjustment	3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	\$3,749,579	
Accounts payable applicable to CWIP	(364,443)	557,048	(51,506)	(389,841)	539,008	(1,193,384)	
Unpaid for materials and supplies	17,626	21,838	(13,639)	26,172	4,003	60,947	
Taxes on CIAC-DEF. FIT & SIT	(\$2,204,052)	(2,176,756)	(2,178,545)	(2,172,060)	(2,166,597)	(2,052,856)	
	<u>\$1,198,710</u>	<u>\$2,151,709</u>	<u>\$1,505,889</u>	<u>\$1,213,850</u>	<u>\$2,125,993</u>	<u>\$564,286</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	
D/ Adjust for Amount Included in Working Capital	(301,364)	(301,364)	(301,364)	(301,364)	(301,364)	(301,364)	
E/ Adjust for ADIT Synchronization Between O&M and Rate Base	145,533	145,533	145,533	145,533	145,533	145,533	
Rate of Return - 2021							
Authorized Rate of Return							
Authorized Adjusted Net Operating Income							
Actual 2021 Adjusted Net Operating Income							
Above or (Below) Earnings							
Gross-up Income Tax Rate							
Revenue Requirement							

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	-0.83% (D)
EDI Annual Reconciliation Percentage	0.53% (D)
<u>SEC Annual Reconciliation Percentage</u>	<u>-1.53% (D)</u>
Subtotal of all Capital Recovery Riders	-1.83% (D)
Total of Capital Recovery Riders and Reconciliation Percentages	28.26% (D)
Offset to Capital Recovery Riders for TCJA savings	-6.62%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-4.54%
PCOP	0.20%

(I) Indicates Increase

(D) Indicates Decrease

ISSUED: June 21, 2022 EFFECTIVE: July 21, 2022

BY:


Grant A. Evitts
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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%			
		Total	1.080%		0.000%		1.080%	0.00%	1.080%
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%			
		Total	4.640%		0.000%		5.720%	0.00%	5.720%
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%			
		Total	0.000%	5.720%	0.168%		5.888%	0.00%	5.888%
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%			
		Total	4.660%		0.000%		10.380%	0.00%	10.380%
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%			
		Total	0.000%		0.870%		11.250%	0.00%	11.250%
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%			
		Total	3.570%		0.000%		13.950%	0.00%	13.950%
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%			
		Total	0.000%		0.906%		14.856%	0.00%	14.856%
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%			
		Total	2.480%		0.000%		16.430%	0.00%	16.430%
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%			
		Total	0.000%		0.833%		17.263%	0.00%	17.263%
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%			
		Total	2.750%		0.000%		19.180%	-6.62%	12.560%
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%			
		Total	0.000%		-2.380%		16.800%	-6.62%	10.180%
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%			
		Total	5.030%		0.000%		24.210%	-6.62%	17.590%
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%			
		Total	0.000%		-4.080%		20.130%	-6.62%	13.510%
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%			
		Total	5.880%		0.000%		30.090%	-11.16%	18.930%
21-00030*	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%			
		Total	0.000%		2.940%		33.030%	-11.16%	21.870%
21-00030*	8/9/2021	QIIP	0.000%	19.140%	2.390%	21.530%			
		EDI	0.000%	1.250%	-0.510%	0.740%			
		SEC	0.000%	9.700%	0.620%	10.320%			
		Total	0.000%		2.500%		32.590%	-11.16%	21.430%
21-00030	2/1/2022	QIIP	0.000%	19.140%	0.000%	19.140%			
		EDI	0.000%	1.250%	0.000%	1.250%			
		SEC	0.000%	9.700%	0.000%	9.700%			
		Total	0.000%		0.000%		30.090%	-11.16%	18.930%
22-00021	4/1/2022	QIIP	0.000%	19.140%	-0.250%	18.890%			
		EDI	0.000%	1.250%	0.560%	1.810%			
		SEC	0.000%	9.700%	-1.250%	8.450%			
		Total	0.000%		-0.940%		29.150%	-11.16%	17.990%
22-00021	7/21/2022	QIIP	0.000%	19.140%	-0.830%	18.310%			
		EDI	0.000%	1.250%	0.530%	1.780%			
		SEC	0.000%	9.700%	-1.530%	8.170%			
		Total	0.000%		-1.830%		28.260%	-11.16%	17.100%

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

STATE OF Tennessee)
)
COUNTY OF Hamilton)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Tricia N. Sinopole, 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.

Tricia Sinopole
Tricia N. Sinopole

Sworn to and subscribed before me
this 21 day of June, 2022.

Kathryn Robinson
Notary Public

My Commission Expires: 10/20/2024



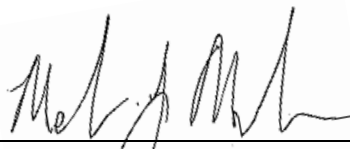
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Vance L. Broemel, Esq.
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Financial Division, Consumer Advocate Unit
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This the 21st day of June 2022.



Melvin J. Malone