

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

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN)	
WATER COMPANY REGARDING)	
CHANGES TO THE QUALIFIED)	
INFRASTRUCTURE INVESTMENT)	Docket No. 22-00021
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)	

STIPULATION AND SETTLEMENT AGREEMENT

The Consumer Advocate Division in the Office of the Tennessee Attorney General (the “Consumer Advocate”) and Tennessee-American Water Company (“TAWC” or the “Company”) jointly submit this Stipulation and Settlement Agreement (the “Settlement Agreement”) in TPUC Docket No. 22-00021 to the Tennessee Public Utility Commission (TPUC or the “Commission”). Subject to the TPUC's approval, the Consumer Advocate and TAWC (hereinafter, individually “Party” and collectively “Parties”) stipulate and agree as follows:

I. BACKGROUND

1. TAWC, a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, is a public utility as defined in Tenn. Code Ann. § 65-4-101, and provides residential, commercial, industrial, and municipal water service, including public and private fire protection service, to Chattanooga and surrounding areas, including approximately 83,000 customers, that are subject to the jurisdiction of the Commission pursuant to Chapters 4 5 of Title 65 of the Tennessee Code Annotated. The rates for Tennessee American’s North Georgia

customers are not regulated by the Public Service Commission of the State of Georgia but are instead regulated by this Commission. The Company's principal place of business is located at 109 Wiehl Street, Chattanooga, Tennessee 37406.

2. The Company is a wholly owned subsidiary of American Water Works Company, Inc., which is the largest publicly traded water and wastewater utility company in the United States, providing water and wastewater services to sixteen (16) million people in thirty-five (35) states.

3. On March 1, 2022, the Company filed its *Petition*, which is a follow-up to a set of tariffs originally approved by Tennessee Regulatory Authority¹ ("TRA") on April 14, 2014. The Consumer Advocate intervened in that docket and after extensive negotiation and discovery the Consumer Advocate and TAWC entered into a stipulation on January 10, 2014, which formed part of the basis of the approval of certain tariffs by the Commission. These tariffs—including the Qualified Infrastructure Improvement Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider, (collectively, the "Capital Riders")—were approved under the "alternative ratemaking" statute, Tenn. Code Ann. §§ 65-5-103, *et seq.* Through its *Petition*, the Company submitted its reconciliation for the 2022 Capital Riders.

4. On March 15, 2022, the Consumer Advocate filed a Petition to Intervene in this proceeding which was approved by the Hearing Officer on April 7, 2022.

5. As a result of the information obtained during informal and formal discovery and the discussions between the Parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the Parties have reached this Settlement Agreement.

¹ The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

II. SETTLEMENT TERMS

6. Based upon the exchange of information and discussions described above, to resolve this case through settlement and avoid the need for further litigation and expenses for all Parties and without waiving any positions asserted in this Docket, subject to Commission approval, the Parties have agreed to certain elements of and adjustments to the Company's *Petition*, which are set forth herein.

7. **Capital Riders Revenue Requirement.** The Parties have agreed to a Capital Riders reconciliation revenue requirement credit of (\$892,000). The determination of the reconciliation revenue requirement and resulting surcharge rates are set forth in Settlement Exhibits 1 and 2, attached.

8. **Balance of Materials and Supplies in Rate Base.** The Company seeks to update Material and Supplies to actual balances rather than using historic balances from the last rate case proceeding for the lead/lag study and other working capital components. The Parties have not resolved this issue in this Docket.

9. **ADIT Balance.** It is the Company's position that there should be no ADIT adjustment for the removal of Charitable Contributions from the ADIT balance as there was no Operating and Maintenance (O&M) adjustment for these items. The Parties have not resolved this issue in this Docket.

10. **Eliminate Excess Purchased Power and Chemical Costs.** The Consumer Advocate seeks to adjust purchased-power and chemical expenses from the Company's O&M expenses within the Earnings Test calculation based upon its exceedance of the Commission's allowable 15% non-revenue water volume. The Parties have not resolved this issue in this Docket.

11. All discovery, pre-filed testimony and exhibits of the Parties will be introduced into evidence without objection, and the Parties waive their right to cross-examine all witnesses. If,

however, questions should be asked by any member of the public, Commissioners, or Commission Staff, the Parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits.

12. After the filing of this Settlement Agreement, the Parties agree to support this Settlement Agreement before the Commission and in any hearing, proposed order, or brief conducted or filed in this matter. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement. The provisions in this Settlement Agreement do not necessarily reflect the positions asserted by any Party. Neither of the Parties shall be deemed to have acquiesced in or agreed to any ratemaking or accounting methodology or procedural principle.

13. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the Parties in this or any other jurisdiction except to the limited extent necessary to enforcement and implementation of the provisions hereof.

14. This Settlement Agreement, which is the product of negotiations and substantial communication and compromise between the Parties, is just and reasonable and in the public interest. The terms of this Settlement agreement are interdependent, and the Parties jointly recommend that the Commission issue an order adopting this Settlement Agreement in its entirety without modification.

15. If the Commission does not accept the settlement in whole, the Parties are not bound by any position or term set forth in this Settlement Agreement. In the event that the Commission does not approve this Settlement Agreement in its entirety, each of the signatories to this Settlement Agreement retains the right to terminate this Settlement Agreement by giving notice of the exercise of such right within 15 business days of the date of such action by the Commission; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent,

elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the Commission within the same time frame. Should this Settlement Agreement terminate, it would be considered void and have no binding or precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

16. By agreeing to this Settlement Agreement, no Party waives any right to continue litigating this matter should this Settlement Agreement not be approved by the Commission in whole or in part.

17. No provision of this Settlement Agreement shall be deemed an admission of any Party. No provision of this Settlement Agreement shall be deemed a waiver of any position asserted by a Party in this matter or any other docket.

18. Except as expressly noted herein, the acceptance of this Settlement Agreement by the Attorney General shall not be deemed approval by the Attorney General of any of TAWC's acts or practices.

19. The Parties' agreement to this Settlement Agreement is expressly premised upon the truthfulness, accuracy, and completeness of the information provided by the Parties to TPUC and each other throughout the course of this Docket, which information was relied upon by the Parties in negotiating and agreeing to the terms and conditions of this Settlement Agreement.

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

21. The Parties agree that this Settlement Agreement constitutes the complete understanding among the Parts and that any and all oral statements, representations or agreements made prior to the execution of this Settlement Agreement shall be null and void.

22. The signatories to this Settlement Agreement warrant that they have informed, advised, and otherwise consulted with the Parties for whom they sign regarding the contents and significance of this Settlement Agreement, and, based on those communications, the signatories represent that they are authorized to execute this Settlement Agreement on behalf of the Parties.

The foregoing is agreed and stipulated to this 22nd day of July, 2022.

[signature pages follow – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 22-00021
Tennessee American Water Company, Inc. Signature Page

TENNESSEE AMERICAN WATER COMPANY, INC.

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[additional signature page follows – remainder of page intentionally left blank]

Stipulation and Settlement Agreement
Tennessee Public Utility Commission Docket No. 22-00021
Attorney General's Signature Page

CONSUMER ADVOCATE DIVISION

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Tennessee American Water Company
Docket No. 22-00021
Capital Rider Reconciliation

Settlement Exhibit No. 1

Settlement Summary
Revenue Requirement

Item	TAWC Position		Consumer Advocate Position	TAWC	Settlement
	Original Filing March 1, 2022	Supplemental Filing April 27, 2022	Filing June 2, 2022	Rebuttal Testimony June 21, 2022	
(Over)/Under Capital Riders Revenue Billings	(770,404)	(750,541)	(750,541)	(750,541)	(750,541)
Budget to Actual Adjustment	615,555	615,555	558,848	558,847	558,848
2021 Private Fire Billing Adjustment	29,258	29,258	29,258	29,258	29,258
2020 Reconciliation Amount	880,451	880,451	880,451	880,451	880,451
Earnings Test Adjustment	(1,079,560)	(1,079,560)	(1,566,175)	(1,122,208)	(1,370,196)
2021 Capital Riders Revenue Reserve		(231,110)	(231,110)	(231,110)	(231,110)
Interest (Prime - 3.25%)	(5,276)	(8,709)	(8,709)	(10,324)	(8,709)
Reconciliation Amount	\$ (329,977)	\$ (544,657)	\$ (1,087,979)	\$ (645,627)	\$ (892,000)
Authorized Capital Riders Revenues (9/12th)/(8/12th)	\$ 35,305,293	\$35,305,293	\$35,305,293	\$35,305,293	<u>\$31,382,483</u>
					-2.84%

**Tennessee American Water Company
Docket No. 22-00021
Capital Rider Reconciliation**

Settlement Exhibit No. 2

**Settlement Summary
Development of Surcharge Rates**

	<u>QH</u>	<u>EDI</u>	<u>SEC</u>	<u>Total</u>
Reconciliation Amount - TAWC Supplemental Filing	\$ (223,935)	\$ 192,654	\$ (513,377)	\$ (544,657)
Percentage Allocated to individual Surcharges	41.11%	-35.37%	94.26%	100.00%
Settled Surcharge Revenue Requirement	\$ (366,744)	\$ 315,516	\$ (840,771)	\$ (892,000)
Authorized Capital Rider Revenues (8/12)	<u>\$31,382,483</u>	<u>\$31,382,483</u>	<u>\$31,382,483</u>	<u>\$31,382,483</u>
Reconciliation Factors	-1.17%	1.01%	-2.68%	-2.84%