

October 24, 2022

Electronically Filed in TPUC Docket Room
on October 24, 2022 at 3:50 p.m.

VIA ELECTRONIC FILING

Hon. Herb Hilliard, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *In Re: Petition of Tennessee-American Water Company Regarding the 2022 Investment and Related Expenses Under the Qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider and the Safety and Environmental Compliance Rider, TPUC Docket No. 22-00072*

Dear Chairman Hilliard:

In response to an informal inquiry from Commission Staff, Tennessee-American Water Company ("TAWC" or "Company") submits this filing to update the Tax Cut and Jobs Act ("TCJA") adjustments. Inadvertently, the Company did not make an adjustment to the Excess ADIT (EADIT) sur-credit for 2022. Rather the TCJA EADIT adjustment of -4.54 remains in place to date. The Company's calculation shows that the TCJA should have been adjusted to -4.23 percentage for 2022. TAWC's oversight in not making this adjustment is to the benefit of our customers.

To avoid customer confusion and for purposes of efficiency, TAWC is proposing to leave the current EADIT sur-credit of -4.54 in place through December 31, 2022, and to implement a new sur-credit amount of -.23% effective January 1, 2023. In light of the number of recent changes in rates that have been approved by the Commission and appropriately implemented by the Company, TAWC is persuaded that it is more prudent not to adjust the EADIT sur-credit before December 31, 2022. While our proposed approach will initially result in a small under-recovery by TAWC, the Company acknowledges that it should have made the adjustment earlier and that it sees no need to do so for the short time remaining in 2022.

TAWC is proposing that effective January 1, 2023, the EADIT sur-credit be adjusted from -4.54 percent to -0.23%. Supporting documentation is provided as Attachment 1, and a proposed tariff will be submitted thirty (30) days prior to implementation of the proposed adjustment.

Hon. Herbert Hilliard, Chairman

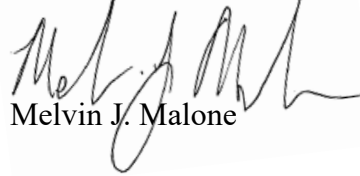
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As required, the original plus four (4) hard copies will be mailed to your office. Should you have any questions concerning this filing, or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP

A handwritten signature in black ink, appearing to read "Melvin J. Malone", is written over a light gray rectangular background.

Melvin J. Malone

clw

Attachments

cc: Bob Lane, TAWC

Karen H. Stachowski, Consumer Advocate Unit

Vance Broemel, Consumer Advocate Unit

Michelle Mairs, TPUC

Tennessee American Water
Excess ADIT
Tariff Rate Calculation

2020 Rate		EADIT Amount	
Rate Year Amortization		\$2,424,478.43	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate		1.35382116	
Grossed Up Amortization		\$3,282,310.00	
EADIT Rate Base Offset		\$745,993.36	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$63,047.00	
Total 2020 EADIT Revenue Credit		\$3,219,363.00	
Authorized Revenues For 2020 Credit (7/120H)		\$27,459,672	
EADIT percentage to apply to bill for 2020		11.72%	EADIT rate will be required to expire at year end, 12/31/20
2021 Rate			
Rate Year Amortization		\$1,791,162.77	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate		1.35382116	
Grossed Up Amortization		\$2,424,914.00	
EADIT Rate Base Offset		\$3,320,059.81	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$280,502.00	
Total 2021 EADIT Revenue Credit		\$2,144,321.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		4.56%	Annual rate to be applied on 1/1/2021 and to be updated in the next capital rider surcharge filing with 2021 ARAM amount.
2022 Rate			
Rate Year Amortization		\$1,778,656.29	amortization amount includes adjustment for inverse sien from TPUC Staff discoverrv response
Gross-up Rate		1.35382116	
Grossed Up Amortization		\$2,407,983.00	
EADIT Rate Base Offset		\$5,104,969.34	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$431,444.00	
Total 2022 EADIT Revenue Credit		\$1,916,538.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		4.20%	Annual rate to be applied on 1/1/2022 and to be updated in the next capital rider surcharge filing with 2022 ARAM amount.
2023 Rate			
Rate Year Amortization		\$467,807.82	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate		1.35382116	
Grossed Up Amortization		\$633,328.00	
EADIT Rate Base Offset		\$6,228,201.40	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$526,379.00	
Total 2022 EADIT Revenue Credit		\$106,955.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073.724	
EADIT percentage to apply to bill - Annual		0.23%	Annual rate to be applied on 1/1/2023 and to be updated in the next capital rider surcharge filing with 2022 ARAM amount.

2020 EADIT Rate Base														Total	
Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total		
0.00	0.00	0.00	0.00	0.00	0.00	346,354.06	692,708.12	1,039,062.18	1,385,416.24	1,731,770.30	2,078,124.36	2,424,478.43	745,993.36	Average	\$0.00
2021 EADIT Rate Base														Total	
Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total		
0.00	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	149,263.56	1,791,162.77	Average	\$0.00
2,424,478.43	2,573,741.99	2,723,005.56	2,872,269.12	3,021,532.69	3,170,796.25	3,320,059.81	3,469,323.38	3,618,586.94	3,767,850.51	3,917,114.07	4,066,377.63	4,215,641.20	3,320,059.81	Average	
2022 EADIT Rate Base														Total	
Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total		
0.00	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	1,778,656.29	Average	\$0.00
4,215,641.20	4,363,862.56	4,512,083.91	4,660,305.27	4,808,526.63	4,956,747.99	5,104,969.34	5,253,190.70	5,401,412.06	5,549,633.42	5,697,854.78	5,846,076.13	5,994,297.49	5,104,969.34	Average	
2023 EADIT Rate Base														Total	
Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total		
0.00	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	38,983.98	467,807.82	Average	\$0.00
5,994,297.49	6,033,281.48	6,072,265.46	6,111,249.45	6,150,233.43	6,189,217.42	6,228,201.40	6,267,185.39	6,306,169.37	6,345,153.36	6,384,137.34	6,423,121.33	6,462,105.31	6,228,201.40	Average	

Tennessee American Water
Excess ADIT
Tariff Rate Calculation

2020 Rate	EADIT Amount	
Rate Year Amortization	\$2,424,478.43	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate	1.35382116	
Grossed Up Amortization	\$3,282,310.00	
EADIT Rate Base Offset	\$745,993.36	IRS consistency rules
Authorized Pre-Tax Rate of Return	8.4515%	
Pre-Tax Rate Return on EADIT Amortization	\$63,047.00	
Total 2020 EADIT Revenue Credit	\$3,219,263.00	
Authorized Revenues For 2020 Credit (7/12th)	\$27,459,672	
EADIT percentage to apply to bill for 2020	11.72%	EADIT rate will be required to expire at year end, 12/31/20
2021 Rate		
Rate Year Amortization	\$1,786,219.75	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate	1.35382116	
Grossed Up Amortization	\$2,418,222.00	
EADIT Rate Base Offset	\$3,317,588.30	IRS consistency rules
Authorized Pre-Tax Rate of Return	8.4515%	
Pre-Tax Rate Return on EADIT Amortization	\$280,384.00	
Total 2021 EADIT Revenue Credit	\$2,137,838.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049	\$47,073,724	
EADIT percentage to apply to bill - Annual	4.54%	Annual rate to be applied on 1/1/2021 and to be updated in the next capital rider surcharge filing with 2021 ARAM amount.
2022 Rate		
Rate Year Amortization	\$1,778,656.29	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate	1.35382116	
Grossed Up Amortization	\$2,407,983.00	
EADIT Rate Base Offset	\$5,100,026.33	IRS consistency rules
Authorized Pre-Tax Rate of Return	8.4515%	
Pre-Tax Rate Return on EADIT Amortization	\$431,026.00	
Total 2022 EADIT Revenue Credit	\$1,976,957.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049	\$47,073,724	
EADIT percentage to apply to bill - Annual	4.20%	Annual rate to be applied on 1/1/2022 and to be updated in the next capital rider surcharge filing with 2022 ARAM amount.

2020 EADIT Rate Base													
Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
						346,354.06	346,354.06	346,354.06	346,354.06	346,354.06	346,354.06	346,354.07	2,424,478.43
0.00	0.00	0.00	0.00	0.00	0.00	346,354.06	692,708.12	1,039,062.18	1,385,416.24	1,731,770.30	2,078,124.36	2,424,478.43	745,993.36 Average

2021 EADIT Rate Base													
Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
0.00	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	148,851.65	1,786,219.75
2,424,478.43	2,573,330.08	2,722,181.72	2,871,033.37	3,019,885.01	3,168,736.66	3,317,588.30	3,466,439.95	3,615,291.60	3,764,143.24	3,912,994.89	4,061,846.53	4,210,698.18	3,317,588.30 Average

2022 EADIT Rate Base													
Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
0.00	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	148,221.36	1,778,656.29
4,210,698.18	4,358,919.54	4,507,140.89	4,655,362.25	4,803,583.61	4,951,804.97	5,100,026.33	5,248,247.68	5,396,469.04	5,544,690.40	5,692,911.76	5,841,133.11	5,989,354.47	5,100,026.33 Average

Tennessee American Water
Excess ADIT
Years 2018, 2019 & 2020
Response to PUC Staff DR 1_003

Response to PUC Staff DR 1_003			Non Plant / Non Power Tax Amortization Period	Per Company			PUC1_003			Per 5/11 Hearing	
	Total Net Excess	Protected / Unprotected		2018 Excess	2019 Excess	2020 Excess	2018 Excess	2019 Excess	2020 Excess	2020 Excess	
Net Excess Amortization from Powertax (Rpt 259)											
Method / Life	ARAM	13,196,175	Protected	363,518	372,267	400,935	ARAM	363,518	372,267	400,935	1,136,720 three years
Cost of Removal	ARAM	552,564	Uncertain	0	0	0	ARAM	0	0	0	0 three years
Repairs	ARAM	4,757,620	Unprotected	123,584	141,299	110,508	3 yr	1,585,873	1,585,873	1,585,873	1,585,873 first year
Taxable CIAC	ARAM	(403,370)	Protected	(22,436)	(22,436)	(22,437)	ARAM	(22,436)	(22,436)	(22,437)	(67,309) three years
All Other	ARAM	268,862	Unprotected	64,034	85,657	46,173	3 yr	89,621	89,621	89,621	89,621 first year
Powertax		18,371,852		528,700	576,786	535,179		2,016,576	2,025,325	2,053,992	2,744,905
Federal NOL	Proportional to ARAM	(801,599)	Uncertain	23,969	28,685	25,412	ARAM	23,969	28,685	25,412	(78,066) three years
Plant Customer Advances	Proportional to ARAM	(460,203)	Unprotected	(13,244)	(14,876)	(14,264)	3 yr	(153,401)	(153,401)	(153,401)	(153,401) first year
Plant CWIP	Proportional to ARAM	11,763	Unprotected	339	380	365	3 yr	3,921	3,921	3,921	3,921 first year
CIAC WIP	Proportional to ARAM	(5,619)	Unprotected	(162)	(182)	(174)	3 yr	(1,873)	(1,873)	(1,873)	(1,873) first year
Plant 481	Proportional to ARAM	110,156	Unprotected	3,170	3,561	3,414	3 yr	36,719	36,719	36,719	36,719 first year
Total Subject to ARAM		17,226,349		542,771	594,354	549,932		1,925,910	1,939,375	1,964,770	2,552,205
All Other Non Plant	Amortization	(383,178)	Unprotected	20	(19,159)	(19,159)	3 yr	(127,726)	(127,726)	(127,726)	(127,726) first year
Total Federal and State Excesses		16,843,171		523,613	575,196	530,773		1,798,184	1,811,649	1,837,044	2,424,478
										estimate	
										1,786,220	
										estimate for 2021	
										2020: the discovery request included the inverse sign on !	

Calculation of EADIT Credit

		Per Company	PUC1_003
Catch up amortization	1-1-18 to 12-31-19	1,098,808	3,609,833
Gross Up		1,487,590	4,887,068
Rate Year Amortization	1-1-20 to 12-31-20	530,773	1,837,044
Gross Up		718,572	2,487,029
Total 2020 Credit		<u>2,206,162</u>	<u>7,374,098</u>
Authorized Revenues		47,073,724	47,073,724
EADIT percentage to apply to bill		4.69%	15.66%
Docket # 19-00105			
Tariff percentage authorized		24.21%	24.21%
EADIT percentage adjustment		-4.69%	-15.66%
Tariff percentage with 2020 EADIT		<u>19.52%</u>	<u>8.55%</u>

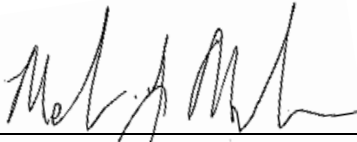
CERTIFICATE OF SERVICE

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.
Senior Assistant Attorney General
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Consumer Advocate Division
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Consumer Advocate Division
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Nashville, TN 37202-0207
Karen.Stachowski@ag.tn.gov

This the 24th day of October 2022.



Melvin J. Malone