

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 23- 00018

DIRECT TESTIMONY

OF

ROBERT C. LANE

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 2023 CAPITAL RECOVERY RIDERS
RECONCILIATION (RECONILIATION FOR CALENDAR YEAR 2022)**

SPONSORING PETITIONER'S EXHIBITS:

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

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

2 A. My name is Robert (Bob) C. Lane, and my business address is 109 Wiehl Street,
3 Chattanooga, Tennessee 37403.

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

5 A. I am employed by American Water Works Service Company (“Service Company”).
6 Service Company is a wholly owned subsidiary of American Water Works Company,
7 Inc. (“American Water”) that provides services to American Water’s subsidiaries,
8 including Tennessee-American Water Company (“TAWC” or “Company”). My current
9 role is Sr. Manager, Rates and Regulatory for TAWC.

10 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
11 **TENNESSEE PUBLIC UTILITY COMMISSION?**

12 A. Yes, I have submitted testimony in TPUC Docket Nos. 22-00021 (2022 CRRs Recon),
13 22-00072 (2022 Annual CRRs) and 23-00007 (2023 PCOP),

14 **Q. WHAT ARE YOUR DUTIES AS SENIOR MANAGER RATES AND**
15 **REGULATORY FOR TENNESSEE AMERICAN WATER?**

16 A. I am responsible for managing and coordinating regulatory issues in Tennessee, and I am
17 the rates and regulatory lead for TAWC. My primary responsibilities encompass the
18 coordination of regulatory issues in Tennessee. This includes coordinating all reports and
19 filings, working with regulatory staff to make sure that all information produced addresses
20 the requirements or requests, and overseeing the preparation and filing of rate cases and
21 tariff changes. I work with senior management of TAWC. I am also responsible for

1 keeping abreast of changes in regulation, or trends in public utility regulations across the
2 United States that may impact TAWC

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

4 A. The purpose of my testimony is to support the calculation of the 2023 Capital Recovery
5 Riders Reconciliation described in TAWC's Petition, for the period of January 1, 2022,
6 through December 31, 2022. On April 14, 2014, the Tennessee Public Utility Commission
7 ("Commission" or "TPUC") approved four new alternative rate methods or mechanisms
8 for TAWC, effective April 15, 2014, in TPUC Docket No. 13-00130. Three of these
9 alternative rate mechanisms were capital program recovery riders, commonly referred to
10 as the "Capital Recovery Riders," and one was for a rider for Production Costs and Other
11 Pass-throughs ("PCOP"). The three Capital Recovery Riders are the only items included
12 in this current Petition.

13 On June 29, 2015, the TPUC approved an adjustment to the three Capital Recovery
14 Riders for 2015 in Docket No. 14-00121, with some modifications to one of the Capital
15 Recovery Riders. Those modifications, set forth in the TPUC's February 1, 2016, *Order*
16 *Granting, In Part, Denying, In Part, Petition*, have been incorporated into the current
17 Petition for an adjustment for 2021. Additionally, TAWC has included the corrections
18 made to the Capital Recovery Riders calculations in related dockets, including Docket Nos.
19 15-00111, 16-00022¹, 17-00020, 18-00022, 19-00031, and 20-00028.

20 The purpose of TAWC's Petition, which this testimony accompanies (the
21 "Petition"), is to provide the required information for the reconciliation of the 2022 review

¹ 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 period to comply with the previously approved Capital Recovery Riders tariffs, which as
2 noted above were approved in TPUC Docket No. 13-000130. The information provided
3 in my testimony is consistent with Tenn. Code Ann. § 65-5-103 *et seq.* and the TPUC's
4 April 14, 2014, approval of the Capital Recovery Riders.

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

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

- 7 • **Petitioner's Exhibit – Capital Riders Reconciliation – RCL**
- 8 • **Petitioner's Exhibit – Capital Rider Charges Summary – RCL**
- 9 • **Petitioner's Exhibit – Work Order Detail Summary – RCL**
- 10 • **Petitioner's Exhibit – Earnings Test – RCL**
- 11 • **Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders – RCL**
- 12 • **Petitioner's Exhibit – Proposed Tariff Sheet No. 12 – Riders – RCL**
- 13 • **Petitioner's Exhibit – Annual Approved Tariffs – RCL**

14
15 I will discuss these exhibits in further detail in my testimony below.

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

18 A. Yes.

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

21 A. The data used to prepare the exhibits was acquired from the books of account and business
22 records of Tennessee-American, and other internal sources, which I examined in the course
23 of my investigation of the matters addressed in this testimony. The Company's filings in

1 this TPUC Docket are complete and accurate to the best of my knowledge and belief; the
2 filing is compliant with TAWC's Capital Recovery Riders tariffs and all TPUC orders and
3 directives related to TAWC's Capital Recovery Riders tariffs; any changes in the Petition
4 from previously approved Capital Recovery Riders' methodologies or calculations are
5 identified in the Petition and supporting documentation; the accounting data set forth in
6 this filing is reflected in the Company's General Ledger, or have been reconciled from the
7 Company's General Ledger to the filing in the workpapers provided with the filing.

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

11 A. Yes.

12 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
13 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
14 **DATA?**

15 A. Yes, they do.

16 **Q. WHAT ARE THE THREE CAPITAL RECOVERY RIDERS APPROVED BY THE**
17 **TPUC?**

18 A. Pursuant to Tennessee Code Annotated Section 65-5-103 et seq., the three Capital
19 Recovery Riders authorized in Docket No. 13-00130 are based on certain categories of
20 capital expenditures to cover the investment period of a calendar year. The first Capital
21 Recovery Rider is the Qualified Infrastructure Investment Program ("QIIP") Rider. This
22 rider is designed to recover the costs associated with the capital investment made in non-
23 revenue producing plant made between rate cases. "Non-revenue plant" is not constructed

1 or installed for the purpose of serving a new customer, e.g. replacing aging infrastructure.
2 “Revenue producing” plant is plant constructed or installed for serving a new customer.
3 Examples of revenue producing plant are main extensions specifically for a new
4 development, or new services or meters for new customers. As outlined in Docket No. 13-
5 00130, aging water and wastewater infrastructure is a growing problem across the United
6 States, including Tennessee, that will require significant investments over the next few
7 decades to continue to provide clean and reliable water service. This rider helps TAWC
8 address the replacement of this critical, aging infrastructure. The QIIP Rider includes
9 replacement of existing infrastructure in the areas of mains, meters, services, hydrants,
10 water treatment equipment, pumping equipment, and tank painting.

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

19 The third Capital Recovery Rider is the Safety and Environmental Compliance
20 (“SEC”) Rider. This rider is for the recovery of investment made to comply with safety
21 and environmental regulations since the previous rate case. TAWC, like other utilities, is
22 faced with increasing capital investment requirements to comply with safety and
23 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	Authorized
21-00030	2021 Reconciliation for calendar year 2020	Authorized
22-00021	2022 Reconciliation for calendar year 2021	Authorized
22-00072	Adjustment for investment period of calendar year 2022	Authorized

The purpose of the current Petition is to comply with the tariffs approved in TPUC Docket No. 13-00130 and provide the required information and supporting documentation in each of the Capital Recovery Riders for the reconciliation of the investment period of calendar year 2022 authorized in the seventh adjustment shown in the table above.

Attached to my testimony is **Petitioner's Exhibit Current Tariff Sheet No. 12—Capital Riders – RCL**, which is a copy of all three Capital Recovery Riders tariff sheets as approved in TPUC Docket No. 13-00130, and as modified in TPUC Docket No. 14-00121 and as further clarified in TPUC Docket Nos. 15-00029, 15-00111, 16-00022, 16-00126,

1 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-00105, 20-00028, 20-00128, 21-
2 00030, 22-00021 and 22-00072.

3 **Q. WHAT CAPITAL RIDER RECONCILIATION FACTORS IS THE COMPANY**
4 **PROPOSING IN THIS PETITION?**

5 A. TAWC is proposing that for the 9 months beginning April 1, 2023 to December 31, 2023
6 that the Capital Riders Reconciliation factors be:

- 7 • QIIP 0.84%, reflecting a Reconciliation Amount of \$297,467
- 8 • EDI 0.55%, reflecting a Reconciliation Amount of \$194,523
- 9 • SEC -1.42%, reflecting a negative Reconciliation Amount of (\$501,684)

10 For a total adjustment equal to -0.03% reflecting a (\$9,694) reduction in revenues.

11
12 **Q. HOW ARE THESE RECONCILIATION AMOUNTS CALCULATED?**

13 A. There are several steps determining the Reconciliation Amount for each of the riders. First,
14 the actual revenues collected under the rider mechanism in 2022 is compared to the
15 projected revenue requirement upon which the riders were set in TPUC Docket No. 22-
16 00072. Next a comparison is made between the costs associated with the actual rider
17 eligible Net Investment Supplied and the budgeted costs for the projected rider eligible Net
18 Investment Supplied upon which the riders were set in TPUC Docket No. 22-00072. These
19 costs components are a) the return on additions, b) the depreciation expenses associated
20 with these additions, c) associated property and franchise fees, this yields an actual revenue
21 requirement that is compared to the budgeted revenue requirement that formed the basis of
22 the capital riders for 2022 established in Docket No. 22-00072. This amount is adjusted to

1 reflect revenue taxes and the exclusion of revenue requirement associated with a portion
2 of APP included in the capitalized costs. Next the revenues associated with the 2021
3 reconciliation adjustments made in TPUC Docket No. 22-00021 are accounted for. And
4 finally, there is an earning test adjustment where return of excess of authorized, if any, is
5 subtracted from the amounts above to determine the Reconciliation Amount.

6 **Q. WAS THERE AN OVER OR UNDER RECOVERY OF CAPITAL RIDER**
7 **REVENUE BILLINGS FOR 2022?**

8 **A.** Yes, there was an under recovery. The actual revenues collected under the rider were
9 \$15,040,591 compared to a projected mount of \$17,005,296. This represents an under
10 recovery of \$1,964,705 for 2022.

11 **Q. IS THERE A PROJECTED TO ACTUAL ADJUSTMENT NEEDED FOR THE**
12 **COSTS ASSOCIATED WITH THE NET INVESTMNET SUPPLIED IN 2022?**

13 **A.** Yes. In TPUC Docket No. 22-00072 the rider was based on a revenue requirement of
14 \$17,005,296. Actual costs were \$93,102 higher than that, \$17,098,398.

15 **Q. WHAT ADJUSTMENT IS MADE TO REFLECT THE 2021 RECONCILLIATION**
16 **AMOUNT AND ITS IMPACT ON REVENUES BILLED?**

17 **A.** A negative adjustment was made of \$892,000 to reflect the 2021 reconciliation approved
18 by the Commission in Docket No. 22-00021.

19 **Q. WAS AN ADJUSTMENT REQUIRED FOR THE EARNINGS TEST.**

20 **A.** Yes. TAWC earned an ROR, adjusted for certain expense exclusions previously required
21 by the Commission, above its authorized pre-tax return. TAWC's authorized ROR is
22 7.23%. TAWC calculates that the Company earned an adjusted Rate of Return in 2022 of

7.58%. (See TAW_2022_Workpaper _Earning Test). As a result, an Earning Test Adjustment is made to lower the Reconciliation Amount by \$1,175,140.

Q. WAS INTEREST APPLIED TO THE RECONCILIATION AMOUNTS?

A. Yes, an interest rate of 7.75% was applied to the results which accrued to the benefit of our customers in the amount of \$361.

Q. WHAT RECONCILIATION AMOUNT ARE YOU PROPOSING FOR THE 2022 RECONCILIATION FACTOR TO BE BASED ON?

A. I am recommending a Reconciliation Amount of \$297,467 for the QIIP rider, \$194,523 for EDI rider, and a negative reconciliation of (\$501,684) for SEC rider. This results in an overall Reconciliation Amount of a negative (\$9,694).

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 – RCL. 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, 20-00128 21-00030 and 22-00072, as well as the

reconciliations of Docket Nos. 15-00029, 16-00022, 17-00020, 18-00022, 19-00031, 20-00028, 21-00030, 22-00021 and 22-00072.

Q. HOW IS THE PROCESS UNDER THE APPROVED CAPITAL RECOVERY RIDERS DIFFERENT FROM HISTORICAL REGULATORY APPROACH WITH RESPECT TO INVESTMENT METHODS?

A. As far as the type of projects and the investment into those projects are concerned, there isn't any difference. The difference between the new riders and the regulatory approach that has been used by TAWC in rate cases is largely in the method and procedure of filing, the deferral of fully litigated rate cases, the lessening of rate shock, and the multiple benefits of the streamlined alternative mechanisms. If it were not for the new alternative regulatory methods available to the Commission and the regulated community, TAWC would likely have had to file a rate case prior to 2023. These new methods have deferred the need to file a full rate case. These Alternative Regulatory Methods make the regulatory process much more streamlined and less burdensome, without reducing effective 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 to all parties involved.

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 alternative fuel vehicles. These changes were recognized in Docket No. 15-00111 and are carried through

1 fully in this Petition. TAWC removed those items from the EDI for 2014, 2015, 2016,
2 2017, 2018, 2019, 2020, 2021 and 2022

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

7 A. Yes. TAWC prepared the files in an excel workbook similar to what was prepared in
8 Docket Nos. 13-00130 and 14-00121. TAWC then prepared a "Proof" worksheet in the
9 excel file of the tabs that utilized array formulas for calculation but went through the
10 calculations without array formulas. In the electronic version, the "Proof" worksheets are
11 found at the end of the excel workbook. There are also worksheets that demonstrate the
12 total additions, removals and retirements, and Contributions in the Aid of Construction
13 ("CIAC") for 2021. This is consistent with previous dockets including 15-00029, 15-
14 00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-
15 00105, 20-00028 21-00030 and 22-00021.

16 **Q. IN DOCKET NO. 17-00020, TENNESSEE-AMERICAN MADE AN ADJUSTMENT**
17 **TO THE RECONCILIATION OF THE CAPITAL RECOVERY RIDERS TO**
18 **REMOVE A PORTION OF REVENUE REQUIREMENT FOR ANNUAL**
19 **PERFORMANCE COMPENSATION IN 2014, 2015 AND 2016. HAS AN**
20 **ADJUSTMENT FOR ANNUAL PERFORMANCE COMPENSATION BEEN**
21 **MADE IN THIS CASE?**

22 A. Yes. Tennessee-American adjusted the proposed 2022 Capital Recovery Riders in Docket
23 No. 20-00128 to remove the carrying costs for that capitalized Annual Performance

1 Compensation for 2022. This adjustment is carried though to this filing. These amounts
2 are included for the 2022 reconciliation on line 20 of the **Petitioner's Exhibit -- Capital**
3 **Riders Reconciliation -- RCL** reducing the actual revenue requirement the Company
4 should have collected. This is reflected as a change above.

5 **Q. HOW HAS THE APPLICATION OF THE EDI RIDER BEEN DIFFERENT FROM**
6 **THE PREVIOUS INVESTMENT REGULATORY METHODS UTILIZED BY**
7 **TAWC PRIOR TO THE APPROVAL OF THE RIDERS IN TPUC DOCKET NO.**
8 **13-00130?**

9 A. Without the EDI Rider, the projects included in that Capital Recovery Rider may not have
10 been as successful or potentially would not have been developed at all. Under its previous
11 investment methods for development, TAWC would have required the developers to pay
12 for the relocation and replacement of assets, thus increasing the upfront costs to them.
13 Given the amount of the investment, coupled with the growth, jobs, and other positive
14 attributes attached to these projects, losing one or more of the projects would have been a
15 disappointment to the communities. These projects demonstrate that the EDI Rider is an
16 extremely valuable tool that can enhance a community's ability to attract future economic
17 development opportunities. Successes such as these will help the area gain an upper hand
18 in the rigid competition among competing communities, which ultimately benefits all of
19 TAWC's customers. For instance, additional water sales facilitated by EDI have the
20 potential to offset the ongoing declining use per customer that TAWC has experienced,
21 helping contribute to covering a portion of the Company's fixed expenses. This helps
22 maintain lower rates to all our customers.

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

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

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

10 A. Yes. The QIIP, the EDI and the SEC Riders are mutually beneficial to the ratepayers, the
11 public, and TAWC. The Qualified Infrastructure Program Rider, the Economic
12 Development Investment Rider, and the Safety and Environmental Compliance Rider, in
13 part, reduce the need for general rate cases, lessen the occurrence of consumer “rate shock,”
14 support the maintenance and improvement of essential infrastructure, support opportunities
15 for successful economic development, growth and job creation, ensure safety and
16 reliability, and allow for more efficient, streamlined regulation. The ratepayers and the
17 public benefit from the safety and reliability components and from the more seamless and
18 timely capital investment in infrastructure, coupled with the related support to economic
19 development, growth and job creation. The Company benefits from a more efficient,
20 streamlined regulatory process that presents TAWC with the opportunity to timely recover
21 its costs and earn a fair rate of return of and on its investments.

22 **Q. YOU MENTIONED THAT THE COMPANY BENEFITS FROM THE CAPITAL**
23 **RIDERS BECAUSE THE RIDERS PROVIDE THE COMPANY WITH THE**

**OPPORTUNITY TO TIMELY RECOVER ITS COSTS AND EARN A FAIR RATE
OF RETURN ON ITS INVESTMENTS. CAN YOU ELABORATE ON THIS?**

A. Certainly. The Capital Recovery Riders permit TAWC to recover the cost of capital on its infrastructure investments between rate cases in an efficient, streamlined regulatory process. As outlined in my testimony here, each year Tennessee-American estimates or forecasts the amount of qualified capital investment (QIIP), infrastructure investment and eligible expenses (EDI) and safety and environmental compliance investment and eligible expense (SEC) that it expects to invest for the upcoming calendar year. The Company will then calculate what it costs to recover the expenditures associated with such forecasted capital investment and expenses. For example, if the Company were to invest \$1 million dollars on a QIIP project in the forecast year, the Company would not recover that entire \$1 million that year. Rather, it will only recover a return on that investment (which includes a weighted return on equity and interest on debt as authorized in the most recent rate case), as well as depreciation expense and taxes.

After it calculates the costs associated with the forecasted capital investment and expenses, TAWC then determines— through a second calculation – the percentage increase in authorized revenues needed to recover those costs. This is the surcharge amount that is applied to each customer's bills. The surcharge thus represents recovery for the costs necessary to support the capital investments

The Reconciliation of the Capital Recovery Riders protect both customers and the Company in that it reviews the construction efforts to ensure projects are being completed

1 as forecasted and determines if revenues are being collected as forecasted. It essentially
2 allows for a true-up at the end of the 12-month period.

3 **Q. BEFORE THE TPUC APPROVED THE CAPITAL RECOVERY RIDERS, WHAT**
4 **PROCESS DID TAWC USE TO RECOVER THE EXPENSES ASSOCIATED**
5 **WITH CAPITAL INVESTMENT AND HAVE THE OPPORTUNITY TO EARN A**
6 **FAIR RETURN?**

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

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

11 A. In part, this goes back to my earlier testimony concerning the benefits of the Capital
12 Recovery Riders to the public. Further, regulated utilities continue to invest money in
13 infrastructure (utility plant) and expenses may continue to increase in between rate cases.
14 This “regulatory lag” lessens the opportunity for the Company to earn its authorized return
15 on equity. Additionally, rate cases can be expensive, resource intensive and time-
16 consuming regulatory activities for the Commission, for intervenors and for the Company.

17 **Q. CAN YOU EXPLAIN THE CALCULATION OF THE CAPITAL RECOVERY**
18 **RIDERS?**

19 A. Yes. As set forth in the approved tariffs, all three Capital Recovery Riders are established
20 on an annual prospective basis utilizing average end-of-month balances and should reflect
21 only those qualified plant additions installed after the conclusion of the initial rate year in
22 Docket No. 12-00049. Consistent with the tariffs, the qualified plant additions are reduced
23 by the projected retirements associated with the Capital Recovery Riders and additions in

1 the calculation of applicable depreciation and property tax expense. As discussed earlier in
2 my testimony, the EDI and SEC Riders can be increased by the appropriate operating
3 expenses. However, TAWC has not included any operating expenses for the EDI or SEC
4 riders in this Petition. In this case, Tennessee-American is proposing to reconcile the
5 review period for each of the Capital Recovery Riders beginning on January 1, 2021 and
6 ending on December 31, 2021.

7 This annual review period was established originally in the tariffs submitted on
8 March 25, 2014 and approved in Docket No. 13-00130 on April 14, 2014. The tariffs
9 establish a reconciliation period for each of the Capital Recovery Riders, which will occur
10 60 days after the close of the attrition period. The attrition period in Docket No. 13-00130
11 was for January 1, 2014 through December 31, 2014, and the first reconciliation occurred
12 in Docket No. 15-00029. The attrition periods were to occur in subsequent 12-month
13 periods after Docket No. 13-00130. As this is the ninth reconciliation filing, this Petition
14 addresses only the ninth review period of January 1, 2022 through December 31, 2022.

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

20 **Q. ARE THE RECONCILIATION PORTIONS OF THE SURCHARGE AMOUNT**
21 **ALSO CUMULATIVE?**

22 **A.** No. This reconciliation period is only for 2022,

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

3 A. Yes. TAWC utilizes an annual prospective approach to the utility plant additions that
4 qualify for recovery through the Capital Recovery Riders. The Capital Recovery Riders
5 provide for the recovery of revenue sufficient to cover the capital cost, depreciation and
6 tax expense related to the projected investment in qualified utility plant. These costs
7 consider the effects of associated retirements (“Net Plant”), CIAC, and Cost of Removal
8 Spending net of Salvage value for the attrition period. To determine the rate of return
9 recovery, an average of the month-end balances of new utility plant in service is averaged
10 calculated, less $\frac{1}{2}$ of the anticipated annual associated CIAC, plus $\frac{1}{2}$ of the anticipated
11 annual associated cost of removal net of salvage spending, to derive the “Net Plant”
12 amount. As discussed in Docket No. 16-00022, in the first year TAWC used a 12-month
13 average to calculate the Capital Recovery Riders, representing all of the activity within the
14 12 months of the attrition period. Beginning in the second year, TAWC used a 13-month
15 average from the end of the previous year through the end of the attrition period. The
16 current approved pre-tax rate of return (“PTR”) is applied to this net amount to determine
17 the revenue requirement of the rate base portion. The PTR is calculated from the weighted
18 common equity and preferred equity, grossed up to include state and federal taxes, plus the
19 weighted cost of long-term debt and the weighted cost of short-term debt. Next, the annual
20 depreciation expense of the additional Net Plant is calculated (“NetDep”), utilizing the
21 current TPUC approved depreciation rates by account and then added. From there,
22 incremental new property and Franchise taxes (“PFT”) is added. For the EDI Rider and
23 SEC Rider, additional operating expenses would be added as appropriate. The sum of these

1 components are grossed up to include the recovery of the associated additional Gross
2 Receipts taxes, Uncollectible expense, and forfeited discounts (“RT”) to derive the final
3 revenue requirement. Then, any over or under Capital Recovery Riders collection of prior
4 periods would be added or subtracted as applicable (“R”). The purpose of this Petition
5 specifically is to address the over or under Capital Recovery Riders collection for the
6 review period of 2022. This total is then divided by the authorized annual level of general
7 metered service (including sale for resale) and private fire service customer revenues
8 (“PAR”) from the prior docket (Docket No. 12-00049), i.e. not including any other
9 revenues, to render each of the new Capital Recovery Rider percentages.

10 **Q. HAS TAWC INCLUDED DETAILED INFORMATION REGARDING THE**
11 **PROJECTS THAT MAKE UP EACH OF THE PROPOSED CAPITAL**
12 **RECOVERY RIDERS?**

13 **A.** Yes. Company Witness Grady Stout will discuss the details regarding capital expenditures
14 included in the QIIP, EDI and SEC Riders for 2022.

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

16 **A.** The QIIP, EDI and SEC Riders are expressed as a percentage. The current tariff Twenty-
17 Fifth Revised Sheet No. 12 – Riders – 1 is attached to my testimony as **Petitioner’s Exhibit**
18 **– Current Tariff Sheet No. 12 – Riders – RCL**, and the proposed tariff sheet Twenty-
19 Sixth Revised Sheet No. 12 – Riders – 1 is attached to my testimony as **Petitioner’s**
20 **Exhibit – Proposed Sheet No. 12 – Riders – RCL**. They are each applied to the total
21 amount billed to each customer under the otherwise applicable rates and charges for basic
22 service, metered usage charges, and private fire charges, and are applied prior to the
23 inclusion of any other taxes, charges, or surcharges. All three Capital Recovery Riders are

1 combined into one line item on the bill of each customer along with the reconciliation
2 amounts.

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

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

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

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

15 **Q. WHAT COST OF CAPITAL IS UTILIZED IN THE FORMULA OF THE**
16 **CAPITAL RECOVERY RIDERS?**

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

19 **Q. WHAT DEPRECIATION RATES ARE USED TO DETERMINE THE**
20 **DEPRECIATION EXPENSE RECOVERED BY THE QIIP, EDI AND SEC**
21 **RIDERS?**

22 A. The depreciation rates last approved by the TPUC in Docket 12-00049 for the respective
23 plant accounts in which the specific items of qualified infrastructure under each rider are

1 recorded are the depreciation rates used to determine the depreciation expense. New
2 depreciation rates would be used only after depreciation rates are changed during a general
3 rate proceeding. These are the rates that were used in Docket Nos. 13-00130, 14-00121,
4 15-00029, 15-00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-
5 00031, 19-00105, 20-00028, 20-00128, 21-00030, 22-00021 and 22-00072.

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

9 **A.** The property tax rate is based on the proportion of property taxes authorized in Docket No.
10 12-00049 to the utility plant in service, multiplied by the additional utility plant less
11 retirements. This is the same rate used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-
12 00111, 16-00022, 16-00126, 17-00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-
13 00105, 20-00028, 20-00128, 21-00030, 22-00021 and 22-00072.

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

16 **A.** The projected annual revenues will be the authorized water services revenues from the last
17 case, Docket No. 12-00049, including all service charges and volumetric charges for all
18 classes that are subject to the Capital Recovery Riders. These are the same annual revenues
19 used in Docket Nos. 13-00130, 14-00121, 15-00029, 15-00111, 16-00022, 16-00126, 17-
20 00020, 17-00124, 18-00022, 18-00120, 19-00031, 19-00105, 20-00028, 20-00128, 21-
21 00030 and 22-00021.

1 **Q. HAS TENNESSEE-AMERICAN INCLUDED ANY OPERATING EXPENSES IN**
2 **THE CURRENTLY PROPOSED EDI RIDER OTHER THAN THE**
3 **DEPRECIATION AND TAX EXPENSES?**

4 A. No. In the tariffs approved in Docket No. 13-00130, TAWC included expenses related to
5 specific economic development within the community as a component of the EDI Rider
6 and operating expenses related to specific investment in the SEC Rider. However, in
7 Docket No. 14-00121, the operating expenses related specifically to TAWC contributions
8 to economic development agencies were not approved by the TPUC. In that same Docket,
9 TAWC removed proposed SEC Rider operating expenses, as those expenses would be
10 captured in the PCOP. Other types of operating expenses related to economic
11 development, or the SEC Rider are not included in this current Petition, but TAWC will
12 continue to review and evaluate potential and appropriate operating expenses for the EDI
13 and SEC Riders and submit them for consideration as appropriate.

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

17 A. No.

18 **Q. WHY WERE THE AVERAGE CAPITAL EXPENDITURES FOR 2022 LESS**
19 **THAN PROJECTED?**

20 A. Mr. Stout discusses the management of the 2022 Capital Expenditures Plan in detail. There
21 was no single project that created the variance, but a series of projects that were all
22 appropriately approved and modified throughout 2022 and prior.

1 **Q. AS A REGULATORY SAFEGUARD TO CONSUMERS AND TO SERVE THE**
2 **PUBLIC INTEREST, DO EACH OF THE CAPITAL RECOVERY RIDERS**
3 **INCLUDE A RECONCILIATION MECHANISM IN THE EVENT THAT THE**
4 **LEVEL OF INVESTMENT, EXPENSE, OR REVENUE APPROVED VARIES**
5 **FROM THE ACTUAL COSTS?**

6 A. Yes. As discussed earlier, the QIIP, EDI and SEC Riders are all subject to an annual
7 reconciliation or true-up, in which the revenue received under each of the Capital Recovery
8 Riders for the reconciliation period will be compared to the revenue necessary for the
9 Company to recover its return of and return on investment plus taxes, for that QIIP, EDI
10 and SEC Rider year. As I stated earlier, this Petition is only for the reconciliation to the
11 2021 QIIP, EDI and SEC.

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

13 A. Consistent with the approved tariffs, Tennessee-American has filed a reconciliation for all
14 three Capital Recovery Riders no later than March 1, 2023. There are actually two steps
15 to the reconciliation. The first is an adjustment for projected to actual investment. This is
16 a regulatory oversight and public interest component of the mechanism that results in a
17 true-up if the investment does not occur (up or down) as forecasted. The second is an
18 adjustment for the over or under recovery of revenues as projected, including interest. This
19 is another regulatory oversight and public interest component of the mechanism. In this
20 way, the consumers are protected from paying too much if sales exceed the amount
21 authorized in the previous rate case proceeding. This could occur if there is a significant
22 amount of customer growth, or if dry and hot conditions occur in any given year. This
23 second adjustment also allows TAWC to adjust if sales are less than the amount authorized

1 in the last case, as could occur with declining usage that TAWC has experienced in recent
2 years. The reconciliation percentage, pending approval by April 1, 2022, as contemplated
3 in the tariffs, will be applied to customer bills for 9 months in 2022.

4 Finally, there is also a consumer safeguard in the reconciliation process that reviews
5 the earnings for Tennessee-American during the attrition period. If it is determined that
6 Tennessee-American earned a rate of return above the authorized amount from the previous
7 rate case during the attrition period, the amount above the authorized is applied as an
8 adjustment to the customers, with interest.

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

11 A. As developed by the parties in TPUC Docket No. 13-00130, and as approved by the
12 Commission, the tariffs include a number of inherent safeguards and protections. In order
13 to provide for sufficient oversight, the Capital Recovery Riders tariffs include an earnings
14 test adjustment. The Earnings Test determines if the Company's attained earnings for the
15 review period exceed the earnings allowed for the Annual Review Period by applying the
16 overall rate of return authorized in the last rate case. If the earnings attained exceed that
17 amount, then the revenues will be reduced by that same amount, with interest, referred to
18 as the Earnings Test Adjustment.

19
20 **Q. DID TENNESSEE-AMERICAN EARNINGS EXCEED THE AUTHORIZED**
21 **AMOUNT FROM DOCKET NO. 12-00049?**

22 A. Yes. Tennessee-American earned a higher rate of return than the authorized 7.23% from
23 Docket No. 12-00049.

1 **Q. ARE THERE ANY OTHER ADJUSTMENTS INCLUDED IN THE**
2 **RECONCILIATION THAT YOU HAVEN'T DISCUSSED?**

3 **A.** No there are not.

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

8 **A.** The PCOP differs from the Capital Recovery Riders, in that at the end of a year, it looks at
9 the historical period and compares the actual production expenses to the amount of
10 production expenses authorized in the previous rate case. It then applies an adjustment
11 over the next year to account for any differences between the two amounts, either over or
12 under the authorized amount.

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 a decrease in their bill of one cent (\$0.01) per month, or
16 0.02% in 2023. I am also providing a table reflecting the detailed changes for each Capital
17 Recovery Rider, including the reconciliations. This is attached to my testimony as
18 **Petitioner's Exhibit – Annual Approved Tariffs – RCL.**

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 2021 to
16 December 2021 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 – RCL** 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 2021; (f) TAWC has not included any proposed prior period adjustments other
2 than removing items in 2021 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 -- RCL** 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 -- RCL**. 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 – RCL**. TAWC has filed this
3 similar to Docket Nos. 16-00022, 17-00020, 18-00022, 19-00031, 20-00028 21-00030 and
4 22-00021, and fully anticipates filing sample documentation during the discovery process.
5 It is important to develop a technique or process that provides adequate levels of assurance
6 that TAWC continues to implement its construction program in the most cost-effective
7 manner for its customers while not developing a technique or process that becomes
8 overwhelming or 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 mechanism’s legislation — Tenn. Code Ann.
19 § 65-5-103 *et. seq.*, — was, in part, to encourage an increase in certain types of
20 infrastructure investment and recovery by utilities, while reducing the costs to consumers
21 and utilities for regulatory review and implementation and promoting rate gradualism for
22 consumers. TAWC believes the approved Capital Recovery Riders are achieving those
23 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. In 2018, US-EPA issued
6 its 6th Drinking Water Infrastructure Needs Survey and Assessment showing significant
7 investment in the nation's drinking water infrastructure. Specifically, US-EPA's
8 assessment is the 20-year infrastructure need for Tennessee is over \$8.7 billion dollars (In
9 2015 dollars).² TAWC is committed to ensuring continued investment in this critical
10 infrastructure in the areas we serve and where are customers are relying on us to provide
11 clean, safe and reliable drinking water. These riders have enabled the TAWC to make
12 \$140 million in capital additions from the inception of the CRRs through 2022. A
13 substantial portion of TAWC's distribution infrastructure is between 50 and 100 years old,
14 and TAWC needs to continue to invest in replacing its infrastructure in order to meet its
15 obligation to provide safe, reliable drinking water to its customers. The QIIP rider has
16 supported the over \$91 million TAWC investment TAWC has made in critical qualified
17 infrastructure additions from the inception of the CRRs through the end of the year 2022.
18 The QIIP Rider is assisting TAWC in responsibly and strategically addressing the systems'
19 infrastructure replacement needs, while helping to increase the time between rate cases and
20 reducing the cost of rate cases to its customers.

² See Drinking Water Infrastructure Needs Survey and Assessment; Sixth Report to Congress U.S. Environmental Protection Agency, Office of Water, Office of Ground Water and Drinking Water, Drinking Water Protection Division (2018) page 36.

1 As reflected in the evidentiary record in TPUC Docket No. 14-00121, the presence of the
2 new Coca Cola facility in Chattanooga, along with the accompanying jobs and other
3 associated community and public benefits, shows that the EDI Rider is working as intended
4 by the Tennessee General Assembly. Grady Stout also addresses other significant and
5 more recent EDI projects under the Capital Riders in his testimony. Moreover, the
6 Company's cooperative and coordinated efforts with the City of Chattanooga to timely
7 address crucial safety, health and reliability issues, including those identified in the US
8 Environmental Protection Agency's April 2013 Consent Decree issued to the City of
9 Chattanooga requiring improvements to the City's sanitary sewer system, demonstrates
10 that the SEC Rider is serving our customers and the public interest as anticipated.

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

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

20 A. I recommend that the Petition be approved for the adjustments in the QIIP, EDI and SEC
21 Riders, effective April 1, 2023 through December 31, 2023.

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

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

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

6 **A.** Yes. I reserve the ability to submit further testimony as is appropriate.

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 12/31/2022

Line Number	Description	Qualified Infrastructure Investment Program QIIP Average YTD 12/31/2022			Economic Development Investment EDI Average YTD 12/31/2022			Safety and Environmental Compliance SEC Average YTD 12/31/2022			Total Average YTD 12/31/2022		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$91,148,832	\$91,349,637	(\$200,805)	\$8,824,903	\$8,827,277	(\$2,374)	\$40,089,619	\$40,196,378	(\$106,759)	\$140,063,354	\$140,373,292	(\$309,938)
2	Plus: Cost of Removal less Salvage	18,626,758	18,054,675	572,083	2,021	2,159	(138)	4,322,504	4,339,593	(17,089)	22,951,282	22,396,427	554,855
3	Less: Contributions in Aid to Construction (CIAC)	2,314,600	2,313,483	1,117	273,854	243,483	30,371	0	0	0	2,588,454	2,556,966	31,488
4	Less: Deferred Income Taxes	9,972,679	9,897,666	75,013	740,433	837,834	(97,401)	5,024,195	5,048,961	(24,766)	15,737,307	15,784,461	(47,154)
5	Less: Accumulated Depreciation	7,827,555	7,829,695	(2,140)	289,656	290,580	(924)	5,304,689	5,268,757	35,932	13,421,900	13,389,032	32,868
6	Net Investment Supplied Additions:	\$89,660,756	\$89,363,468	\$297,288	\$7,522,981	\$7,457,539	\$65,441	\$34,083,239	\$34,218,253	(\$135,014)	\$131,266,975	\$131,039,260	\$227,715
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:	\$7,577,636	\$7,552,511	\$25,125	\$635,801	\$630,270	\$5,531	\$2,880,529	\$2,891,939	(\$11,411)	\$11,093,966	\$11,074,721	\$19,245
10													
11	Depreciation Expense on Additions:	2,369,867	2,374,148	(4,281)	126,510	127,617	(1,107)	1,227,139	1,159,003	68,136	3,723,517	3,660,769	62,748
12													
13	Property and Franchise Taxes Associated:	1,142,581	1,134,479	8,101	119,274	118,717	557	507,395	507,916	(521)	1,769,250	1,761,112	8,138
14													
15	Revenues:	11,090,084	11,061,139	28,945	881,585	876,604	4,981	4,615,063	4,558,858	56,205	16,586,732	16,496,601	90,131
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	11,455,633	11,425,734	29,899	910,644	905,498	5,146	4,767,184	4,709,127	58,057	17,133,461	17,040,359	93,102
19													
20	APP Revenue Reduction	(21,125)	(21,125)		(1,524)	(1,524)		(12,414)	(12,414)		(35,063)	(35,063)	
21													
22	Total Capital Riders Revenues with Revenue Taxes & APP	\$11,434,509	\$11,404,609	\$29,899	\$909,120	\$903,974	\$5,146	\$4,754,770	\$4,696,713	\$58,057	\$17,098,398	\$17,005,296	\$93,102
23													
24													
25	Actual Capital Riders Revenues Billed		\$10,000,076			\$962,192			\$4,078,323			\$15,040,591	
26													
27	(Over)/Under Capital Riders Revenue Billings		1,404,533			(58,218)			618,390			1,964,705	
28	Budget to Actual Adjustment		29,899			5,146			58,057			93,102	
29	2021 Reconciliation Amount		(366,744)			315,516			(840,771)			(892,000)	
30	Earnings Test Adjustment		(781,318)			(75,177)			(318,644)			(1,175,140)	
31	Interest (Prime - 7.75%)		11,097			7,257			(18,715)			(361)	
32													
33	Reconciliation Amount		\$297,467			\$194,523			(\$501,684)			(\$9,694)	
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		0.84%			0.55%			-1.42%			-0.03%	
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 #22-00072 which was approved on 1/31/2023.

Earnings Test - Calculation methodology from Earnings Test worksheet.

Tennessee American Water Company
For 12 Months Ended December 31, 2022
Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Charge Type	Additions	Removals	CIAC	Total
1	QIIP	Labor	\$890,104	\$281,105	\$0	\$1,171,210
2		Labor Overhead	489,033	149,204	0	638,237
3		Licenses, Permits & Misc Fees	108,283	42,120	0	150,404
4		Materials & Supplies	2,480,222	349,442	0	2,829,664
5		Contracted Services	3,550,806	664,238	0	4,215,044
6		Other - Paving	0	0	0	0
7		Other	3,399,479	629,852	0	4,029,330
8		Overhead	1,243,992	219,629	0	1,463,621
9		Salvage Cash	0	(44,247)	0	(44,247)
10		Service Company Charges	0	0	0	0
11		CWIP Accrual	(13,906)	91,545	0	77,638
12		CIAC Taxable	0	0	0	0
13		CIAC Non-Taxable	0	0	(4,616)	(4,616)
14		Tax Gross Up	0	0	0	0
15		AFUDC Debt	42,527	0	0	42,527
16		AFUDC Equity	38,520	0	0	38,520
17						
18	QIIP Total		\$12,229,060	\$2,382,889	(\$4,616)	\$14,607,333
19						
20	EDI	Labor	\$51,336	\$0	\$0	\$51,336
21		Labor Overhead	26,445	0	0	26,445
22		Licenses, Permits & Misc Fees	(100)	0	0	(100)
23		Materials & Supplies	146,545	0	0	146,545
24		Contracted Services	467,887	0	0	467,887
25		Other - Paving	0	0	0	0
26		Other	48,029	0	0	48,029
27		Overhead	83,716	0	0	83,716
28		Salvage Cash	0	0	0	0
29		Service Company Charges	0	0	0	0
30		CWIP Accrual	(72,231)	0	0	(72,231)
31		CIAC Taxable	0	0	(7,222)	(7,222)
32		CIAC Non-Taxable	0	0	(38,504)	(38,504)
33		Tax Gross Up	0	0	(3,955)	(3,955)
34		AFUDC Debt	1,842	0	0	1,842
35		AFUDC Equity	1,669	0	0	1,669
36						
37	EDI Total		\$755,138	\$0	(\$49,680)	\$705,458
38						
39	SEC	Labor	\$119,313	\$10,612	\$0	\$129,925
40		Labor Overhead	59,388	5,402	0	64,791
41		Licenses, Permits & Misc Fees	2,189	0	0	2,189
42		Materials & Supplies	1,635,527	153,996	0	1,789,522
43		Contracted Services	2,237,476	71,634	0	2,309,110
44		Other - Paving	0	0	0	0
45		Other	56,173	2,153	0	58,326
46		Overhead	522,547	31,793	0	554,340
47		Salvage Cash	0	0	0	0
48		Service Company Charges	0	0	0	0
49		CWIP Accrual	(78,375)	(0)	0	(78,375)
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	24,832	0	0	24,832
54		AFUDC Equity	22,492	0	0	22,492
55						
56	SEC Total		\$4,601,562	\$275,590	\$0	\$4,877,152
57						
58			\$17,585,759	\$2,658,480	(\$54,296)	\$20,189,943

Tennessee American Water Company
For 12 Months Ended December 31, 2022
Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
1	QIIP	I26-020039-01	Citico Repl Basin 2 & Plate Settler	(\$1)			(\$1)
2		I26-020045-02	Remove Filter Bldg 3 Citico	0	(2)		(2)
3		I26-020060-01	Replace High Svc Header Valve - Cit	354,152	155		354,307
4		I26-020062-01	Filter House #2 Rehab	60,866	9,581		70,447
5		I26-020069-01	Lookout Redundancy - Pipe Upgrade	733,132			733,132
6		I26-050009-01	Dunlap Interconnect at Alvin York	516,113			516,113
7		R26-02B1.18-P-0004	Mains-Replaced / Restored		867		867
8		R26-02B1.18-P-0010	Mains-Replaced / Restored	51,484	15,982		67,466
9		R26-02B1.18-P-0013	Mains-Replaced / Restored		0		0
10		R26-02B1.20-P-0007	Mains-Replaced / Restored		0		0
11		R26-02B1.21-P-0005	Mains - Replaced/Restored	86,937	52,533		139,469
12		R26-02B1.21-P-0006	Mains - Replaced/Restored	159,237	8,025		167,262
13		R26-02B1.21-P-0007	Mains - Replaced/Restored	1,588	84		1,672
14		R26-02B1.21-P-0010	Mains - Replaced/Restored	521	116		637
15		R26-02B1.21-P-0011	Mains - Replaced/Restored		0		0
16		R26-02B1.21-P-0012	Mains - Replaced/Restored	(991)	(52)		(1,043)
17		R26-02B1.21-P-0013	Mains - Replaced/Restored	8,437	1,516		9,953
18		R26-02B1.21-P-0015	Mains - Replaced/Restored	34,623	1,942		36,565
19		R26-02B1.21-P-0016	Mains - Replaced/Restored	147,918	8,180		156,098
20		R26-02B1.21-P-0017	Mains - Replaced/Restored	221,569	11,543		233,111
21		R26-02B1.21-P-0018	Mains - Replaced/Restored	271,366	14,067		285,433
22		R26-02B1.22-P-0002	Mains-Replaced / Restored	165,284	8,695		173,979
23		R26-02B1.22-P-0003	Mains-Replaced / Restored	82,009	4,307		86,315
24		R26-02B1.22-P-0004	Mains-Replaced / Restored	147,310	7,738		155,048
25		R26-02B1.22-P-0005	Mains-Replaced / Restored	102,801	5,318		108,120
26		R26-02B1.22-P-0006	Mains-Replaced / Restored	59,552	3,130		62,682
27		R26-02B1.22-P-0008	Mains-Replaced / Restored	250,097	12,918		263,014
28		R26-02B1.22-P-0009	Mains-Replaced / Restored	152,404	7,989		160,394
29		R26-02B1.22-P-0010	Mains-Replaced / Restored	109,416	5,752		115,168
30		R26-02B1.22-P-0011	Mains-Replaced / Restored	146,883			146,883
31		R26-02B1.22-P-0012	Mains-Replaced / Restored	270,816			270,816
32		R26-02B1.22-P-0013	Mains-Replaced / Restored	204,032	10,448		214,480
33		R26-02B1.22-P-0015	Mains-Replaced / Restored	358,834	18,980		377,814
34		R26-02B1.22-P-0016	Mains-Replaced / Restored	315,670	16,566		332,235
35		R26-02B1.22-P-0017	Mains-Replaced / Restored	189,666	9,866		199,532
36		R26-02B1.22-P-0019	Mains-Replaced / Restored	122,088	6,314		128,402
37		R26-02B1.22-P-0020	Mains-Replaced / Restored	45,769	2,344		48,113
38		R26-02C1.17-P-0001	Mains-Unscheduled		33		33
39		R26-02C1.21-P-0001	Mains - Unscheduled	203,046	110,000		313,045
40		R26-02C1.21-P-0002	Mains - Unscheduled	316	79		395
41		R26-02C1.21-P-0003	Mains - Unscheduled		(0)		(0)
42		R26-02C1.21-P-0003-CN	Mains - Unscheduled			(468)	(468)
43		R26-02C1.22-P-0001	Mains-Unscheduled	1,878,823	456,056		2,334,879
44		R26-02D1.19-P-0005	Mains-Relocated		0		0
45		R26-02D1.19-P-0006	Mains-Relocated		0		0
46		R26-02F1.21-P-0001	Hydrants, Valves, Manholes - Replac	8,984	33,149		42,132
47		R26-02F1.22-P-0001	Hydrants Valves and Manholes-Rep	739,857	328,053		1,067,910
48		R26-02F1.22-P-0002	Hydrants Valves and Manholes-Rep	199,184	49,268		248,452
49		R26-02F1.22-P-0003	Hydrants Valves and Manholes-Rep	952	228		1,180
50		R26-02F1.22-P-0003-CN	Hydrants Valves and Manholes-Rep			(1,765)	(1,765)
51		R26-02F1.22-P-0004	Hydrants Valves and Manholes-Rep	1,510	362		1,872
52		R26-02F1.22-P-0004-CN	Hydrants Valves and Manholes-Rep			(2,382)	(2,382)
53		R26-02H1.21-P-0001	Services and Laterals - Replaced	(36,732)	13,722		(23,010)
54		R26-02H1.22-P-0001	Services and Laterals-Replaced	726,753	321,050		1,047,803
55		R26-02H1.22-P-0002	Services and Laterals-Replaced	19,289	4,684		23,973
56		R26-02J1.20-P-0001	Meters-Replaced	(119)			(119)
57		R26-02J1.21-P-0001	Meters - Replaced	291,203			291,203
58		R26-02J1.21-P-0002	Meters - Replaced		(252)		(252)
59		R26-02J1.22-P-0001	Meters-Replaced	1,514,024	182,830		1,696,854
60		R26-02R1.19-P-0004	Capitalized Tank Rehab/Painting	9,163	26,867		36,030
61		R26-02R1.19-P-0005	Capitalized Tank Rehab/Painting	16,354	82,614		98,968
62		R26-02R1.21-P-0006	Capitalized Tank Rehab/Painting	(1,631)	82,675		81,044
63		R26-02R1.22-P-0002	Capitalized Tank Rehab/Painting	569,648	366,154		935,802
64		R26-02R1.22-P-0003	Capitalized Tank Rehab/Painting	494,996			494,996
65		R26-03C1.22-P-0001	Mains-Unscheduled	3,614	1,019		4,633
66		R26-03F1.21-P-0001	Hydrants, Valves, Manholes - Replac	96	59		155
67		R26-03H1.21-P-0001	Services and Laterals - Replaced	135			135
68		R26-03H1.22-P-0001	Services and Laterals-Replaced	6,851	3,070		9,921
69		R26-05B1.21-P-0002	Mains - Replaced/Restored	1,198	255		1,453
70		R26-05C1.21-P-0001	Mains - Unscheduled	11,569	3,167		14,736
71		R26-05C1.22-P-0001	Mains-Unscheduled	52,468	14,192		66,660
72		R26-05F1.21-P-0001	Hydrants, Valves, Manholes - Replac	39	1,189		1,229
73		R26-05F1.22-P-0001	Hydrants Valves and Manholes-Rep	13,917	6,135		20,052
74		R26-05H1.21-P-0001	Services and Laterals - Replaced	658	159		817
75		R26-05H1.22-P-0001	Services and Laterals-Replaced	86,316	42,764		129,079
76		R26-05J1.21-P-0001	Meters - Replaced		95		95
77		R26-05J1.22-P-0001	Meters-Replaced	43,098	6,767		49,865
78		R26-06C1.21-P-0001	Mains - Unscheduled	(353)	(110)		(463)
79		R26-06C1.22-P-0001	Mains-Unscheduled	1,363	404		1,768
80		R26-06F1.21-P-0001	Hydrants, Valves, Manholes - Replac	200	42		241
81		R26-06H1.21-P-0001	Services and Laterals - Replaced		5		5
82		R26-06H1.22-P-0001	Services and Laterals-Replaced	2,692	1,188		3,880
83		R26-06J1.21-P-0001	Meters - Replaced		14		14
84							
85		QIIP Total		12,229,060	2,382,889	(4,616)	14,607,333

Tennessee American Water Company
For 12 Months Ended December 31, 2022
Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
86							
87	EDI	I26-020063-01	River Gorge Transmission Mains	(4,443)			(4,443)
88		I26-020064-01	River Gorge Booster Station	1,774			1,774
89		I26-020071-01	Black Creek Tank	536,233			536,233
90		I26-050006-01	Hwy 283 Main Ext	(1,189)			(1,189)
91		R26-02A1.15-P-0004	Mains-New		0		0
92		R26-02A1.20-P-0003	Mains-New	(30,138)			(30,138)
93		R26-02A1.21-P-0002	Mains - New	(22,569)			(22,569)
94		R26-02A1.21-P-0003	Mains - New	2,538			2,538
95		R26-02E1.18-P-0002-CO	Hydrants - Valves and Manholes-New			(2,800)	(2,800)
96		R26-02E1.19-P-0001	Hydrants-Valves and Manholes-New		0		0
97		R26-02E1.21-P-0001	Hydrants, Valves, Manholes - New	(24,986)	0		(24,986)
98		R26-02E1.21-P-0002	Hydrants, Valves, Manholes - New	5,279			5,279
99		R26-02E1.21-P-0003-CN	Hydrants, Valves, Manholes - New			(4,144)	(4,144)
100		R26-02E1.21-P-0006-CN	Hydrants, Valves, Manholes - New			(3,354)	(3,354)
101		R26-02E1.21-P-0007-CN	Hydrants, Valves, Manholes - New			(8,541)	(8,541)
102		R26-02E1.21-P-0008-CN	Hydrants, Valves, Manholes - New			(4,594)	(4,594)
103		R26-02E1.21-P-0009-CN	Hydrants, Valves, Manholes - New			(3,854)	(3,854)
104		R26-02E1.21-P-0010	Hydrants, Valves, Manholes - New	(4,105)			(4,105)
105		R26-02E1.21-P-0010-CN	Hydrants, Valves, Manholes - New			(3,854)	(3,854)
106		R26-02E1.21-P-0011	Hydrants, Valves, Manholes - New	3,449			3,449
107		R26-02E1.22-P-0001	Hydrants Valves and Manholes-New	259,440	0		259,440
108		R26-02E1.22-P-0002	Hydrants Valves and Manholes-New	3,261			3,261
109		R26-02E1.22-P-0002-CO	Hydrants Valves and Manholes-New			(8,377)	(8,377)
110		R26-02E1.22-P-0003	Hydrants Valves and Manholes-New	3,665			3,665
111		R26-02E1.22-P-0004	Hydrants Valves and Manholes-New	3,875			3,875
112		R26-02E1.22-P-0004-CN	Hydrants Valves and Manholes-New			(10,165)	(10,165)
113		R26-05A1.18-P-0002	Mains-New	105			105
114		R26-05E1.21-P-0001	Hydrants, Valves, Manholes - New	(360)	0		(360)
115		R26-05E1.22-P-0001	Hydrants Valves and Manholes-New	9,381	0		9,381
116		R26-06E1.21-P-0001	Hydrants, Valves, Manholes - New	3,311	0		3,311
117		R26-06E1.22-P-0001	Hydrants Valves and Manholes-New	10,617	0		10,617
118							
119	EDI Total			755,138	0	(49,680)	705,458

Tennessee American Water Company
For 12 Months Ended December 31, 2022
Capital Rider Reconciliation - Charge Detail Summary by Work Order

Line	Rider	Work Order #	Work Order Description	Additions	Removals	CIAC	Total
120							
121	SEC	I26-050001-01	Raw Water Intake Improvements Whitw	1,709,785			1,709,785
122		R26-02L1.22-P-0002	SCADA Equipment and Systems	16,200			16,200
123		R26-02L1.22-P-0003	SCADA Equipment and Systems	16,232			16,232
124		R26-02L1.22-P-0004	SCADA Equipment and Systems	21,548			21,548
125		R26-02L1.22-P-0005	SCADA Equipment and Systems	35,369	345		35,715
126		R26-02L1.22-P-0006	SCADA Equipment and Systems	21,416			21,416
127		R26-02M1.21-P-0005	Security Equip & Systems	2,302			2,302
128		R26-02M1.22-P-0002	Security Equipment and Systems	5,799			5,799
129		R26-02M1.22-P-0003	Security Equipment and Systems	23,269			23,269
130		R26-02M1.22-P-0004	Security Equipment and Systems	30,920			30,920
131		R26-02M1.22-P-0006	Security Equipment and Systems	150,453			150,453
132		R26-02M1.22-P-0007	Security Equipment and Systems	70,148	4,994		75,141
133		R26-02M1.22-P-0008	Security Equipment and Systems	22,421			22,421
134		R26-02M1.22-P-0009	Security Equipment and Systems	41,730	1,170		42,900
135		R26-02M1.22-P-0011	Security Equipment and Systems	31,042	1,564		32,606
136		R26-02Q1.21-P-0004	Process Plant Facilities & Equip	35,378	(54)		35,324
137		R26-02Q1.21-P-0006	Process Plant Facilities & Equip	(30)	110		79
138		R26-02Q1.21-P-0011	Process Plant Facilities & Equip	(3,225)	3,296		71
139		R26-02Q1.21-P-0014	Process Plant Facilities & Equip	9,379	1,695		11,075
140		R26-02Q1.21-P-0016	Process Plant Facilities & Equip	77,464	193		77,657
141		R26-02Q1.21-P-0021	Process Plant Facilities & Equip	7,276			7,276
142		R26-02Q1.21-P-0023	Process Plant Facilities & Equip	32,642	1,115		33,757
143		R26-02Q1.21-P-0027	Process Plant Facilities & Equip	3,703	127		3,830
144		R26-02Q1.21-P-0028	Process Plant Facilities & Equip	(1,379)	1,830		451
145		R26-02Q1.22-P-0002	Process Plant Facilities and Equip	5,588	691		6,279
146		R26-02Q1.22-P-0003	Process Plant Facilities and Equip	8,781	964		9,745
147		R26-02Q1.22-P-0004	Process Plant Facilities and Equip	8,049	893		8,942
148		R26-02Q1.22-P-0005	Process Plant Facilities and Equip	53,354	14,134		67,487
149		R26-02Q1.22-P-0006	Process Plant Facilities and Equip	122,984	20,654		143,639
150		R26-02Q1.22-P-0007	Process Plant Facilities and Equip	80,750	9,396		90,145
151		R26-02Q1.22-P-0008	Process Plant Facilities and Equip	277,103	37,964		315,066
152		R26-02Q1.22-P-0009	Process Plant Facilities and Equip	15,252	1,693		16,944
153		R26-02Q1.22-P-0010	Process Plant Facilities and Equip	12,058	2,996		15,054
154		R26-02Q1.22-P-0011	Process Plant Facilities and Equip	87,613	20,329		107,942
155		R26-02Q1.22-P-0012	Process Plant Facilities and Equip	10,024	4,152		14,175
156		R26-02Q1.22-P-0013	Process Plant Facilities and Equip	133,716	6,731		140,447
157		R26-02Q1.22-P-0014	Process Plant Facilities and Equip	9,086	1,003		10,089
158		R26-02Q1.22-P-0015	Process Plant Facilities and Equip	70,094	7,776		77,870
159		R26-02Q1.22-P-0016	Process Plant Facilities and Equip	69,968	7,762		77,730
160		R26-02Q1.22-P-0017	Process Plant Facilities and Equip	113,199	12,507		125,707
161		R26-02Q1.22-P-0018	Process Plant Facilities and Equip	194,564	21,585		216,149
162		R26-02Q1.22-P-0019	Process Plant Facilities and Equip	200,152	22,144		222,296
163		R26-02Q1.22-P-0020	Process Plant Facilities and Equip	7,432	1,258		8,689
164		R26-02Q1.22-P-0021	Process Plant Facilities and Equip	8,275	913		9,188
165		R26-02Q1.22-P-0022	Process Plant Facilities and Equip	148,495	19,918		168,413
166		R26-02Q1.22-P-0023	Process Plant Facilities and Equip	10,164	1,122		11,286
167		R26-02Q1.22-P-0024	Process Plant Facilities and Equip	10,863	568		11,432
168		R26-02Q1.22-P-0027	Process Plant Facilities and Equip	24,830			24,830
169		R26-02Q1.22-P-0028	Process Plant Facilities and Equip	179,774	19,941		199,714
170		R26-02Q1.22-P-0029	Process Plant Facilities and Equip	4,630			4,630
171		R26-02Q1.22-P-0030	Process Plant Facilities and Equip	26,004			26,004
172		R26-02Q2.17-P-0002	Process Plant Facilities and Equip	48,959	4,176		53,135
173		R26-03L1.22-P-0002	SCADA Equipment and Systems	3,653	784		4,437
174		R26-03L1.22-P-0003	SCADA Equipment and Systems	17,744			17,744
175		R26-03Q1.21-P-0002	Process Plant Facilities & Equip	68,071	3,347		71,418
176		R26-03Q1.21-P-0003	Process Plant Facilities & Equip	25,661	1,351		27,011
177		R26-03Q1.21-P-0004	Process Plant Facilities & Equip	25,661	1,351		27,011
178		R26-05L1.22-P-0002	SCADA Equipment and Systems	9,539	1,740		11,279
179		R26-05L1.22-P-0003	SCADA Equipment and Systems	3,503			3,503
180		R26-05Q1.21-P-0003	Process Plant Facilities & Equip	7,929	410		8,339
181		R26-05Q1.21-P-0005	Process Plant Facilities & Equip	2,458	127		2,585
182		R26-05Q1.21-P-0006	Process Plant Facilities & Equip	6,297			6,297
183		R26-05Q1.22-P-0002	Process Plant Facilities and Equip	57,448	7,205		64,653
184		R26-05Q1.22-P-0003	Process Plant Facilities and Equip	2,052	977		3,028
185		R26-05Q1.22-P-0004	Process Plant Facilities and Equip	14,027			14,027
186		R26-05Q1.22-P-0005	Process Plant Facilities and Equip	26,041			26,041
187		R26-05Q1.22-P-0006	Process Plant Facilities and Equip	13,395	641		14,036
188		R26-06L1.22-P-0002	SCADA Equipment and Systems	16,483			16,483
189							
190	SEC Total			4,601,562	275,590	0	4,877,152
191							
192	Grand Total			\$17,585,759	\$2,658,480	(\$54,296)	\$20,189,943

Tennessee American Water Company
2022 Reconciliation of Capital Riders
Earnings Test

Line #		Notes / Changes from Monthly Reports	December-21 January-22 February-22 March-22 April-22 May-22 June-22						
1	Additions:								
2	Plant in Service		\$414,722,861	\$416,049,158	\$417,399,258	\$418,601,201	\$419,911,580	\$420,999,479	\$422,465,420
3	Plant Under Construction		4,091,519	4,601,108	4,601,927	5,226,631	6,833,197	7,896,651	8,858,692
4	Property Held For Future Use		0	0	0	0	0	0	0
5	Materials and Supplies D/	See footnote D/	779,204	948,685	987,077	952,001	958,550	1,072,506	1,025,235
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		\$423,003,468	\$425,008,835	\$426,398,146	\$428,189,717	\$431,113,211	\$433,378,520	\$435,759,231
12									
13									
14	Deductions:								
15	Accumulated Depreciaton and Amortization		\$102,753,954	\$103,492,295	\$104,322,321	\$105,169,087	\$106,430,833	\$107,125,327	\$107,256,905
16	Accumulated Deferred Income Taxes E/	See footnote E/	50,483,606	50,752,774	50,739,177	50,749,534	50,988,173	51,018,146	51,138,645
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		18,808,619	18,767,658	18,891,531	18,912,499	19,001,195	19,125,940	19,186,852
21	Customer Advances for Construction		7,657,371	7,676,260	7,463,448	7,862,277	7,887,952	8,243,603	8,287,689
22	All Other A/		564,286	1,838,084	1,575,864	2,056,185	1,453,284	1,700,365	2,047,626
23	Jasper Highlands Reg. Liab.		815,400	815,400	815,400	815,400	815,400	815,400	815,400
24									
25									
26	Total Deductions		\$181,083,236	\$183,342,471	\$183,807,741	\$185,564,982	\$186,576,837	\$188,028,781	\$188,733,117
27									
28	Rate Base		\$241,920,232	\$241,666,364	\$242,590,405	\$242,624,735	\$244,536,374	\$245,349,739	\$247,026,114
29									
30	Net Operating Income			\$1,408,265	\$1,093,093	\$1,175,107	\$1,597,428	\$1,855,249	\$1,829,042
31	Adjustments to NOI:								
32	2020 Earnings Test Surcharge Credits	After tax basis							
33	Allowance for funds used during construction	After tax basis		5,419	8,376	9,539	12,714	18,761	20,826
34	Adjustment to reflect effective federal			0	0	0	0	0	0
35	Income tax rate (debt assigned to parent)	After tax basis		31,111	31,229	31,234	31,480	31,584	31,799
36	Interest on customer deposits			0	0	0	0	0	0
37	Incentive Compensation	After tax basis		42,979	42,641	229,046	(87,550)	42,751	120,462
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			\$1,490,345	\$1,191,659	\$1,447,078	\$1,555,523	\$1,964,684	\$2,005,545
44									
45									
46	Rate of return B/			7.40%	5.89%	7.16%	7.63%	9.61%	9.74%

Tennessee American Water Company
2022 Reconciliation of Capital Riders
Earnings Test

Line #	Notes / Changes from Monthly							
	Reports	December-21	January-22	February-22	March-22	April-22	May-22	June-22
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		(1,193,384)	157,296	(265,485)	254,325	(274,568)	(82,216)	491,173
Unpaid for materials and supplies		60,947	22,020	61,424	20,215	58,056	111,061	(100,786)
Taxes on CIAC-DEF. FIT & SIT		(2,052,856)	(2,090,811)	(1,969,654)	(1,967,934)	(2,079,783)	(2,078,059)	(2,092,340)
		<u>\$564,286</u>	<u>\$1,838,084</u>	<u>\$1,575,864</u>	<u>\$2,056,185</u>	<u>\$1,453,284</u>	<u>\$1,700,365</u>	<u>\$2,047,626</u>
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		<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>	<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	\$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 - 2022		7.58%						
Authorized Rate of Return		7.23%	(Schedule 1 Exhibit to Settlement Agreement Docket No. 12-00049)					
Authorized Adjusted Net Operating Income		\$17,935,637						
Actual 2022 Adjusted Net Operating Income		\$18,803,654						
Above or (Below) Earnings		\$868,017						
Gross-up Income Tax Rate		1.3538212						
Revenue Requirement		\$1,175,140						

Tennessee American Water Company
2022 Reconciliation of Capital Riders
Earnings Test

Line #		July-22	August-22	September-22	October-22	November-22	December-22	13-Mth Average	
1	Additions:								
2	Plant in Service	\$425,648,369	\$427,075,579	\$425,372,680	\$426,498,470	\$429,153,088	\$439,076,362	\$423,305,654	
3	Plant Under Construction	8,635,702	9,610,216	11,150,229	11,980,806	12,000,256	5,417,618	7,761,889	
4	Property Held For Future Use	0	0	0	0	0	0	0	
5	Materials and Supplies D/	963,531	1,077,069	1,112,843	1,280,445	1,418,208	1,635,069	1,093,109	
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	\$438,657,486	\$441,172,748	\$441,045,636	\$443,169,605	\$445,981,436	\$449,538,933	\$435,570,536	
12									
13									
14	Deductions:								
15	Accumulated Depreciaton and Amortization	\$108,301,464	\$109,042,953	\$106,706,991	\$107,539,806	\$108,423,884	\$108,674,244	106,556,928	
16	Accumulated Deferred Income Taxes E/	51,261,148	51,300,881	51,211,476	51,324,505	51,327,734	53,635,629	51,225,494	
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	19,312,199	19,317,767	19,330,342	19,306,281	19,301,032	19,283,950	19,118,913	
21	Customer Advances for Construction	8,341,287	8,309,337	8,620,124	8,579,904	8,737,818	8,508,628	8,167,361	
22	All Other A/	1,156,224	1,859,879	1,542,651	1,418,197	1,770,150	2,083,952	1,620,519	
23	Jasper Highlands Reg. Liab.	815,400	815,400	815,400	815,400	815,400	730,800	808,892	
24									
25									
26	Total Deductions	\$189,187,722	\$190,646,217	\$188,226,984	\$188,984,093	\$190,376,018	\$192,917,203	\$187,498,108	
27									
28	Rate Base	\$249,469,764	\$250,526,531	\$252,818,652	\$254,185,512	\$255,605,418	\$256,621,730	\$248,072,428	13-Mth Average Rate Base
29								Total	
30	Net Operating Income	\$2,098,943	\$1,568,454	\$1,586,450	\$1,829,639	\$1,098,839	\$285,252	\$17,425,761	12 Mths Net Operating Income
31	Adjustments to NOI:								
32	2020 Earnings Test Surcharge Credits							0	
33	Allowance for funds used during construction	21,169	20,101	24,530	28,805	31,052	25,634	226,927	
34	Adjustment to reflect effective federal	0	0	0	0	0	0	0	
35	Income tax rate (debt assigned to parent)	32,114	32,249	32,544	32,719	32,902	33,033	383,998	
36	Interest on customer deposits	0	0	0	0	0	0	0	
37	Incentive Compensation	41,009	40,762	62,232	40,638	40,638	69,566	685,173	
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	\$2,209,834	\$1,662,704	\$1,707,403	\$1,948,483	\$1,204,866	\$415,530	\$18,803,654	12 Mths Adjusted Net Operating Income
44									
45									
46	Rate of return B/	10.63%	7.96%	8.10%	9.20%	5.66%	1.94%	7.58%	

Tennessee American Water Company
2022 Reconciliation of Capital Riders
Earnings Test

<u>Line #</u>	<u>July-22</u>	<u>August-22</u>	<u>September-22</u>	<u>October-22</u>	<u>November-22</u>	<u>December-22</u>	<u>13-Mth 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	(449,670)	101,291	(33,492)	(268,880)	119,912	414,661	
Unpaid for materials and supplies	(52,937)	71,772	(113,511)	23,215	(12,923)	(78,573)	
Taxes on CIAC-DEF. FIT & SIT	(\$2,090,748)	(2,062,763)	(2,059,925)	(2,085,717)	(2,086,418)	(2,001,715)	
	<u>\$1,156,224</u>	<u>\$1,859,879</u>	<u>\$1,542,651</u>	<u>\$1,418,197</u>	<u>\$1,770,150</u>	<u>\$2,083,952</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	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	
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 - 2022							
Authorized Rate of Return							
Authorized Adjusted Net Operating Income							
Actual 2022 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	24.22%
EDI	1.91%
<u>SEC</u>	<u>9.97%</u>
Subtotal of all Capital Recovery Rider	36.10%
QIIP Annual Reconciliation Percentage	0.00% (
EDI Annual Reconciliation Percentage	0.00%
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00%</u>
Subtotal of all Capital Recovery Riders	0.00%
Total of Capital Recovery Riders and Reconciliation Percentages	36.10%
Offset to Capital Recovery Riders for TCJA savings	-4.32%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-0.23%
PCOP	2.14% (I)

(I) Indicates Increase

(D) Indicates Decrease

ISSUED:	January 17, 2023	EFFECTIVE:	February 16, 2023
---------	------------------	------------	-------------------

BY:



Grant A. Evitts
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

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	24.22%
EDI	1.91%
<u>SEC</u>	<u>9.97%</u>
Subtotal of all Capital Recovery Rider	36.10%
QIIP Annual Reconciliation Percentage	0.84% (I)
EDI Annual Reconciliation Percentage	0.55% (D)
<u>SEC Annual Reconciliation Percentage</u>	<u>- 1.42% (I)</u>
Subtotal of all Capital Recovery Riders	- 0.03%(D)
Total of Capital Recovery Riders and Reconciliation Percentages	36.10% (I)
Offset to Capital Recovery Riders for TCJA savings	-4.32%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-0.23%(I)
PCOP	2.14%

(I) Indicates Increase

(D) Indicates Decrease

ISSUED:	December 1, 2022	EFFECTIVE:	April 1, 2023
---------	------------------	------------	---------------

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	Individual Authorized Rider Total	Capital Riders Cumulative Total	TCIA 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%
22-00072*	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%
22-00072*	8/1/2022	QIIP	5.080%	24.220%	0.000%	24.220%			
		EDI	0.660%	1.910%	0.000%	1.910%			
		SEC	0.270%	9.970%	0.000%	9.970%			
		Total	6.010%		0.000%		36.100%	-11.16%	24.940%
22-00072	1/1/2023	QIIP	0.000%	24.220%	0.000%	24.220%			
		EDI	0.000%	1.910%	0.000%	1.910%			
		SEC	0.000%	9.970%	0.000%	9.970%			
		Total	0.000%		0.000%		36.100%	-4.55%	31.550%
23-000XX	4/1/2023	QIIP	0.000%	24.220%	0.840%	25.060%			
		EDI	0.000%	1.910%	0.550%	2.460%			
		SEC	0.000%	9.970%	-1.420%	8.550%			
		Total	0.000%		-0.030%		36.070%	-4.55%	31.520%

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

STATE OF Tennessee)
)
COUNTY OF Hamilton)

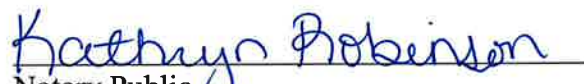
BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Robert C. Lane, being by me first duly sworn deposed and said that:

He 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, his testimony would be as set forth in his pre-filed testimony in this matter.



Robert C. Lane

Sworn to and subscribed before me
this 1 day of March, 2023.



Notary Public

My Commission Expires: 10/20/2024

