

November 30, 2023

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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 in Support of the Calculation of the 2023 Capital Recovery Riders Reconciliation, TPUC Docket No. 23-00018*

and

In Re: Tennessee-American Water Company's Response to Commission's Investigation of Impacts of Federal Tax Reform on the Public Utility Review Requirements, TPUC Docket No. 18-00039

Dear Chairman Hilliard:

Consistent with the decisions of the Tennessee Public Utility Commission ("TPUC" or "Commission") in TPUC Docket No. 18-00039, and the Commission's orders in Docket Nos. 23-00018 and 22-00072, Tennessee-American Water Company ("TAWC" or the "Company") is implementing an adjustment of rates to reflect the amortization (normalization) of the protected Excess ADIT. This adjustment results in a reduction of the TCJA Excess ADIT adjustment from -0.23 to 0.50%. The calculation of this adjustment is included as **Attachment 1**. This new rate will become effective January 1, 2024.

In addition, consistent with the parties' resolution of the contested issues in TPUC Docket No. 23-00018, as approved by the Commission on August 14, 2023, TAWC will also reset the 2023 authorized reconciliation adjustments to zero from its current level of -2.78%, effective January 1, 2024.

Combined these two changes result in an increase of the Capital Recovery Riders surcharge (net of TCJA adjustments) from 28.77% to 32.28% or 3.51 percentage points. The updated Capital Recovery Riders will result in an increase in customers' monthly bill of approximately \$0.78, representing an increase of 2.68%. A revised Tariff Sheet (**Thirty Sixth Revised Sheet No. 12-Riders-1**), with an effective date of January 1, 2024, is attached as **Attachment 2**.

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Hon. Herb Hilliard, Chairman

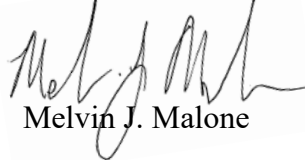
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As set forth above, TAWC will implement this update effective January 1, 2024.¹ As required, the original plus four (4) hard copies will be mailed to your office. Should you have any questions concerning this filing, or require additional information, 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

Attachments

cc: Bob Lane, TAWC

Karen H. Stachowski, Consumer Advocate Division

Vance Broemel, Consumer Advocate Division

¹ For administrative reference purposes, TAWC is also requesting that this letter be filed in *In Re: Petition of Tennessee-American Water Company Regarding the 2022 Investments 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.

ATTACHMENT 1

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		\$1,791,162.77	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		\$280,593.00	
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 sign from TPUC Staff discovery 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		\$1,976,539.00	
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		\$467,808.00	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		\$6,228,201.49	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$526,373.00	
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.
2024 Rate			
Rate Year Amortization		\$235,694.00	amortization amount includes adjustment for inverse sign from TPUC Staff discovery response
Gross-up Rate		1.35382116	
Grossed Up Amortization		\$319,088.00	
EADIT Rate Base Offset		\$6,579,952.49	IRS consistency rules
Authorized Pre-Tax Rate of Return		8.4515%	
Pre-Tax Rate Return on EADIT Amortization		\$556,102.00	
Total 2022 EADIT Revenue Credit		\$237,054.00	
Service Charge and Volumetric Revenues as Per Docket No. 12-00049		\$47,073,724	
EADIT percentage to apply to bill - Annual		-0.50%	Annual rate to be applied on 1/1/2024 and to be updated in the next capital rider surcharge filing with 2023 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
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	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
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													
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
4,215,641.20	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													
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	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	38,984.00	467,808.00
5,994,297.49	6,033,281.49	6,072,265.49	6,111,249.49	6,150,233.49	6,189,217.49	6,228,201.49	6,267,185.49	6,306,169.49	6,345,153.49	6,384,137.49	6,423,121.49	6,462,105.49	6,228,201.49 Average

2024 EADIT Rate Base													
Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total
0.00	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	19,641.17	235,694.00
6,462,105.49	6,481,746.66	6,501,387.82	6,521,028.99	6,540,670.16	6,560,311.32	6,579,952.49	6,599,593.66	6,619,234.82	6,638,875.99	6,658,517.16	6,678,158.32	6,697,799.49	6,579,952.49 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
1,786,220											

1,786,220

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		2,206,162	7,374,098
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		19.52%	8.55%

ATTACHMENT 2

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 % (I)
EDI Annual Reconciliation Percentage	0 % (I)
<u>SEC Annual Reconciliation Percentage</u>	<u>0 % (I)</u>
Subtotal of all Capital Recovery Riders	0 % (I)
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	0.50% (I)
PCOP	2.13%

(I) Indicates Increase

(D) Indicates Decrease

ISSUED: December 1, 2023 EFFECTIVE: January 1, 2024

BY:


Grant A. Evitts
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

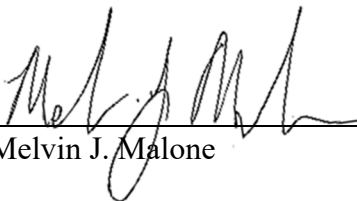
CERTIFICATE OF SERVICE

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

Karen H. Stachowski, Esq.
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This the 30th day of November 2023.



Melvin J. Malone