

# BUTLER | SNOW

May 13, 2025

**VIA ELECTRONIC FILING**

Hon. David Jones, Chairman  
c/o Ectory Lawless, Docket Room Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243  
[TPUC.DocketRoom@tn.gov](mailto:TPUC.DocketRoom@tn.gov)

Electronically Filed in TPUC Docket  
Room on May 13, 2025 at 3:39 p.m.

**RE: *Tennessee-American Water Company's 2025 Incremental Capital Recovery Rider Tariff Petition, Docket No. 25-00016***

Dear Chairman Jones:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimony of Robert C. Lane* in the above-captioned matter.

As required, 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



Melvin J. Malone

clw

Attachments

cc: Bob Lane, TAWC  
Karen H. Stachowski, Consumer Advocate Division  
Vance Broemel, Consumer Advocate Division

*Neuhoff Building  
1320 Adams Street, Suite 1400  
Nashville, TN 37208*

**MELVIN J. MALONE**  
615.651.6705  
C 615.948.7801  
[melvin.malone@butlersnow.com](mailto:melvin.malone@butlersnow.com)

*T 615.651.6700  
F 615.651.6701  
[www.butlersnow.com](http://www.butlersnow.com)*

BUTLER SNOW LLP

**TENNESSEE-AMERICAN WATER COMPANY, INC.**

**DOCKET NO. 25-00016**

**REBUTTAL TESTIMONY**

**OF**

**ROBERT C. LANE**

**ON**

**TENNESSEE AMERICAN WATER COMPANY'S 2025 INCREMENTAL CAPITAL  
RECOVERY RIDER PETITION**

**SPONSORING PETITIONER'S EXHIBITS**

**Revised Petitioner Exhibit TAWC 2025 ICRRR Calc  
Revised Petitioner Exhibit TAWC 2025 ROE Test Calc**

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

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

4   **Q.     HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS CASE?**

5   A.     Yes. My Pre-filed Direct Testimony on behalf of Tennessee-American Water Company  
6         ("Tennessee-American," "TAWC" or the "Company") was filed on January 15, 2025.

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

8   A.     The purpose of my testimony here is to respond to and rebut the Pre-filed Testimony of  
9         Mr. Dittemore on behalf of the Consumer Advocate Division of the Office of the Attorney  
10        General ("Consumer Advocate" or "CAD") filed April 28, 2025. More specifically, and  
11        among other things, I address eight (8) areas of Mr. Dittemore's testimony: (1) The  
12        adjustments to the Incremental Capital Rider Revenue Requirement ("ICRRR") for an  
13        acquisition adjustment and a change in depreciation rates as a result of discovery which the  
14        Company supports;<sup>1</sup> (2) Mr. Dittemore's testimony related to the one-time property tax  
15        adjustment;<sup>2</sup> (3) Mr. Dittemore's assertion that the Company should have adjusted its  
16        capital spending in anticipation of earning above authorized in large part due to a property  
17        tax adjustment that was reflected in the Company's property tax bills received late in 2024<sup>3</sup>;  
18        (4) Mr. Dittemore's claim that the Company underinvested in infrastructure during the  
19        review period;<sup>4</sup> (5) Mr. Dittemore's unsupported assertion that it is the Company that is  
20        seeking modification of the Incremental Capital Recovery Rider Tariff ("ICRR");<sup>5</sup>

---

<sup>1</sup> *Pre-filed Testimony of Consumer Advocate Witness David N. Dittemore*, p. 5, l 7-11, TPUC Docket No. 25-00016 (April 28, 2025) (hereinafter "*Dittemore Pre-filed*").

<sup>2</sup> *Id.* at 5, l 12-15.

<sup>3</sup> *Dittemore Pre-filed* at 3-4.

<sup>4</sup> *Dittemore Pre-filed* at 7-8 and 17-18.

<sup>5</sup> *Dittemore Pre-filed* at 11, l 1-5.

(6) Mr. Dittmore’s recommendation that the Tennessee Public Utility Commission (“Commission” or “TPUC”) should suspend the ICRR Tariff in 2026 (looking back at 2025 investments) or in the alternative order the tariff to be modified to require the creation of a regulatory liability in the amount of the negative ICRRR to be offset by future ICRR surcharges<sup>6</sup>; (7) Mr. Dittmore’s proposal – in the absence of a Commission-suspension of the ICRR – for the Commission to require the parties to adopt new ICRR Tariff language within 90 days that would permit a negative ICRRR credit;<sup>7</sup> and (8) Mr. Dittmore’s recommendation that the Return on Equity (“ROE”) Test Calculation include a 15% Non-Revenue Water (“NRW”) water loss limitation factor.<sup>8</sup>

**Q. DOES THE COMPANY AGREE WITH THE CONSUMER ADVOCATE’S PROPOSED ADJUSTMENTS TO THE ICRRR, NAMELY THE PROPOSED ACQUISITION ADJUSTMENT RATE BASE COMPONENT CORRECTION AND THE PROPOSED DEPRECIATION RATES CORRECTION?**

A. Yes, the Company supports the two adjustments to the ICRRR sponsored by Consumer Advocate’s witness Mr. Dittmore at page 5 of his pre-filed testimony.

The first adjustment is to include the Acquisition Adjustment of (\$935,260) that the Company provided to CAD during discovery. The Company agrees with this adjustment. As a result of the discovery process, the Company realized that it had mistakenly omitted this adjustment within its initial ICRRR calculation. The Company has made that adjustment and revised the relevant exhibits.

---

<sup>6</sup> Dittmore Pre-filed at 13-16.

<sup>7</sup> Dittmore Pre-filed at 3, 1 10-15.

<sup>8</sup> Id. at 5-7.

1           The second adjustment identified by Mr. Dittmore corrects the depreciation rates  
2       used by the Company within the ICRRR calculation. The depreciation rate originally  
3       employed by the Company is its initial calculation filed with the Petition, and my pre-filed  
4       direct testimony omitted the removal cost component. In response to Consumer Advocate's  
5       DR 1-22, the Company provided support for the depreciation rates adjustment that Mr.  
6       Dittmore proposed.

7   **Q.   HAS THE COMPANY REVISED ITS EXHIBITS TO REFLECT THESE**  
8   **CHANGES?**

9   A.   Yes.

10 **Q.   WHAT IS THE RESULTING ICRRR?**

11 A.   I have attached **Exhibit Revised Petitioner Exhibit TAWC 2025 ICRRR & ROE Test**  
12       to this rebuttal testimony. This revised exhibit details the revised calculation of the ICRRR  
13       in the amount of (\$597,200). The Company's original ICRRR calculation was  
14       (\$1,174,067).

15 **Q.   MR. DITTEMORE CITES THE COMPANY'S ADJUSTMENT TO ITS**  
16 **PROPERTY TAX EXPENSES AS A DRIVER OF THE COMPANY'S NEGATIVE**  
17 **ICRRR CALCULATION. CAN YOU PLEASE EXPLAIN WHAT CAUSED THE**  
18 **NEED FOR THE COMPANY TO MAKE THIS PROPERTY TAX ADJUSTMENT?**

19 A.   The property tax adjustment resulted from the Company receiving a December 5, 2024,  
20       property tax bill late in the year. This was less than what the Company anticipated earlier  
21       in the year when it began to accrue the property tax expense. This adjustment significantly  
22       decreased the Company's property tax expense for the year. The Company immediately  
23       reflected this lower property tax in its expenses resulting in a reversal of the over accrual.

1 This reversal added to the difference between the property tax expense TAWC was actually  
2 billed and the amount we accrued based on TAWC's estimate of what the Company's  
3 property tax expense would be. This adjustment resulted in the difference being added to  
4 net book income for the year. Thus, this adjustment had the dual effect of 1) reducing the  
5 property tax calculation that was used to calculate the property tax component of the  
6 ICRRR and 2) increasing the Company's net book income for this one-time adjustment.

7 **Q. WHAT WAS THE CAUSE OF THE REDUCTION IN THE COMPANY'S**  
8 **PROPERTY TAX EXPENSE?**

9 A. The property tax equalization rate used in setting the 2024 accrual of property tax was 97%.  
10 However, the equalization rate used for the Company's December 5, 2024, property tax  
11 bill was actually 67%.

12 **Q. WHAT IS THE PURPOSE OF THE EQUALIZATION RATE AND WHY IS IT**  
13 **PERIODICALLY ADJUSTED?**

14 A. Equalization rates for Advalorem Taxes are developed and used to bring all taxpayers'  
15 valuations in line with market value between revaluations. When jurisdictions revalue  
16 properties for property tax purposes, the goal is to bring all properties up to the current fair  
17 market value. As the years pass, a revaluation becomes stale, and market values change.  
18 Studies are done by jurisdictions to determine how far from market value the overall  
19 property values are as a percentage. These percentages are used to adjust the value of our  
20 property since utilities are valued every year at fair market value ("FMV") by the state. In  
21 2024, this resulted in a change in the Equalization rate to 67%.

1 **Q. WAS THIS PROPERTY TAX ADJUSTMENT THE CAUSE OF THE NEGATIVE**  
2 **ICRRR CALCULATED BY THE COMPANY?**

3 A. Yes.

4 **Q. IF THERE HAD BEEN NO ADJUSTMENT TO THE PROPERTY TAX, WOULD**  
5 **THE ICRRR HAVE BEEN NEGATIVE?**

6 A. No. The Company had incremental capital investment that would have resulted in a  
7 positive ICRRR had it not been for this one-time adjustment due to the change in the  
8 equalization rate used by our taxing authority. As noted by Mr. Dittemore, however, the  
9 ability of the Company to recover a positive ICRRR is limited by the Incremental Capital  
10 Recovery Rider Tariff and the earning test that is part of the tariff.<sup>9</sup>

11 **Q. IN THIS TESTIMONY MR. DITTEMORE ASSERTS THAT THE REVENUE**  
12 **REQUIREMENT ASSOCIATED WITH EARNINGS ABOVE AUTHORIZED**  
13 **MEANS THAT THE COMPANY COULD HAVE INVESTED ADDITIONAL**  
14 **CAPITAL. DO YOU AGREE WITH MR. DITTEMORE'S ASSERTION?**

15 A. No, I do not. Mr. Dittemore is asserting that the Company could have invested more money  
16 rather than earning above its authorized level. In doing so, Mr. Dittemore fails to  
17 acknowledge that the source of the Company's earnings above authorization is, in large  
18 part, due to a one-time adjustment to property tax expenses that directly increased the net  
19 book income for 2024. This lower-than-expected property tax expenses in a bill to the  
20 Company dated December 5, 2024, was not anticipated when the Company's capital plan  
21 and budget for 2024 were established. The 2024 capital plan and budget were developed a  
22 year and a half earlier in late spring and early summer of 2023.

---

<sup>9</sup> *Dittemore Pre-filed at 4, l 10-13*

1 **Q. ARE THERE OTHER FAULTS WITH MR. DITTEMORE'S REASONING HERE?**

2 A. Yes. Mr. Dittemore does not take into account that an investment made in one year is a  
3 multi-year, in many cases a multi-decade, commitment by both shareholders and  
4 customers. These types of infrastructure investments create a long-term revenue  
5 requirement over the useful life of the asset. Only a small portion of the investment made  
6 is recovered in any given year under the ICRR Tariff (and traditional ratemaking)  
7 approach.

8 **Q. WOULD IT BE PRUDENT FOR THE COMPANY TO MAKE LONG-TERM**  
9 **INVESTMENTS BASED ON EARNINGS RESULTS DRIVEN LARGELY BY A**  
10 **ONE-TIME TAX ADJUSTMENT?**

11 A. No.

12 **Q. ARE THERE OTHER SHORTCOMINGS WITH MR. DITTEMORE'S**  
13 **REASONING REGARDING HIS CLAIMS THAT THE COMPANY COULD**  
14 **HAVE INCREASED ITS CAPITAL SPENDING IN LIGHT OF EARNINGS**  
15 **ABOVE AUTHORIZED IN 2024?**

16 A. Yes. Mr. Dittemore's assumption about increased capital spending does not recognize or  
17 acknowledge the timing and implementation issues associated with his assertion. The  
18 capital planning and budgeting process is a multi-year plan established well before the start  
19 of the first of the year. Such issues are further exacerbated by the fact that the lower  
20 property tax bill was dated December 5, 2024 leaving just 21 days to 1) understand the  
21 impacts on net book income of the company, 2) how that would flow through to the ICRRR,  
22 3) what impact it would have on the ROE test, 4) adjust its long-planned capital spending  
23 for the remaining few days in 2024 and 5) complete any additional infrastructure



1 replacement and place it in service by December 31, 2024. The Company does not have  
2 the resources to quickly ramp up capital projects. Significant manpower and lead time is  
3 needed in planning, design and execution of our capital projects. Our ability to abruptly  
4 ramp up resources for additional capital projects is simply not possible in such a timeframe.

5 **Q. WHY DOES THE COMPANY NOT QUALIFY FOR AN INCREASE IN THE**  
6 **ICRRR IN 2025 TO RECOVER THE 2024 COSTS ASSOCIATED WITH ITS**  
7 **INFRASTRUCTURE INVESTMENTS UNDER THE ICRRR CALCULATION?**

8 A. The combination of 2024 existing base rates, the legacy riders in place in 2024, customer  
9 growth during 2024, and the one-time decrease in property tax expense generated sufficient  
10 revenues or decreases in expenses to allow the Company to recover the revenue  
11 requirement of the incremental capital it placed in service during 2024 and still earn at or  
12 above its authorized ROE.

13 **Q. DID THE COMPANY MEET OR EXCEED ITS CAPITAL SPENDING PLAN FOR**  
14 **2024?**

15 A. Yes. The Company spent \$40,943,049 on Capital Projects in 2024, approximately 11%  
16 more than in the 2024 Strategic Capital Expenditures Plan (SCEP).<sup>10</sup> Underinvestment was  
17 not the cause of the negative ICRRR or the adjusted ROE to be above the 10% adopted in  
18 the Company's 2012 Rate Case. Rather, the negative ICRRR resulted, in large part, from  
19 a one-time property tax adjustment, the Company's efficient operations, and revenue from  
20 organic growth in the Company's service area.

---

<sup>10</sup> See Petitioner's Exhibit 2024 SCEP Results.

1 **Q. DOES THE COMPANY BELIEVE THAT CONTINUED AND INCREASED**  
2 **INVESTMENT IN WATER INFRASTRUCTURE IS NECESSARY IN ITS**  
3 **SERVICE AREAS?**

4 A. Yes. The Company continues to make investments in water infrastructure to serve its  
5 customers and to deliver safe and reliable water. The Company is heartened to see that the  
6 Consumer Advocate agrees that more investment is warranted.<sup>11</sup> TAWC is hopeful that the  
7 Consumer Advocate will be supportive of the long-term increase in revenue requirement  
8 necessary to support the level of investment needed. For example, the Company looks  
9 forward to the Consumer Advocates' support for the increased revenue needed and/or  
10 regulatory mechanisms warranted that support increased investment in main replacement,  
11 as well as other needed and required infrastructure investments.<sup>12</sup>

12 **Q. IS THE COMPANY PROPOSING ANY CHANGES OR MODIFICATION TO THE**  
13 **ICRR TARIFF APPROVED BY THE COMMISSION IN DOCKET NO. 19-00103?**

14 A. No.

15 **Q. DOES THE CONSUMER ADVOCATE CITE OR REFERENCE ANYPLACE IN**  
16 **THE PETITION OR YOUR DIRECT TESTIMONY IN THIS PROCEEDING OR**  
17 **ANY PROCEEDING WHERE YOU OR THE COMPANY PROPOSE A CHANGE**  
18 **TO THE ICRR TARIFF?**

19 A. No.

20 **Q. ON PAGE 11 LINE 1 OF HIS PRE-FILED TESTIMONY MR. DITTEMORE**  
21 **SEEMS TO ASSERT THAT THE COMPANY SEEKS TO IMPLEMENT A**

---

<sup>11</sup> *Dittemore Pre-filed at 7:8 – 8:22.*

<sup>12</sup> *Dittemore Pre-filed at 17.*

1       **TARIFF CHANGE IN 2026 THAT APPLIED TO 2025 RESULTS. IS THE**  
2       **COMPANY ADVOCATING, PROPOSING OR RECOMMENDING ANY**  
3       **CHANGE TO THE TARIFF?**

4   A.   No.

5   **Q.   IS THE COMPANY PROPOSING ANY CHANGES OR MODIFICATION TO THE**  
6       **ICRR TARIFF APPROVED BY THE COMMISSION IN DOCKET NO. 19-00103?**

7   A.   No.

8   **Q.   IS THE CONSUMER ADVOCATE PROPOSING ANY CHANGES OR**  
9       **MODIFICATION TO THE TERMS TO THE ICRR TARIFF APPROVED BY THE**  
10      **COMMISSION IN DOCKET NO. 19-00103?**

11  A.   Yes.

12  **Q.   WHAT CHANGES OR MODIFICATION IS THE CONSUMER ADVOCATE**  
13      **PROPOSING TO THE TERMS TO THE ICRR TARIFF?**

14  A.   The Consumer Advocate is proposing modification of the existing ICRR Tariff.

15           First, Consumer Advocate is seeking to have the Commission suspend the operation  
16      of the ICRR Tariff for 2026, which looks back at 2025 incremental rider eligible capital  
17      spending. Or in the alternative, the Consumer Advocate is proposing that if the  
18      Commission does not suspend the ICRR Tariff for 2026, the Commission should modify  
19      the existing tariff to require the creation of a regulatory liability when the calculation of  
20      the ICRRR leads to a negative number. This proposal would result in the creation of a  
21      regulatory liability to be offset by future ICRR Tariff surcharges or to be returned to

1 customers as a surcharge credit. The existing tariff does not contemplate the creation of a  
2 regulatory liability.<sup>13</sup>

3 Thus, it is the Consumer Advocate, not the Company, that is seeking modifications  
4 to the existing ICRR Tariff.

5 **Q. DOES THE COMPANY SUPPORT THE SUSPENSION OF THE ICRR TARIFF**  
6 **IN 2026, APPLYING TO INVESTMENTS MADE IN 2025, AS PROPOSED BY**  
7 **THE CONSUMER ADVOCATE?**

8 A. Yes. The Company supports the temporary, one-year suspension of the ICRR Tariff in  
9 2026, with an automatic restart in 2027. In the Company’s recent base rate case, Docket  
10 No. 24-00032, the Company utilized a future test year covering investments through 2025.  
11 Because the ICRR Tariff filing in 2026 would seek recovery of the costs associated with  
12 Rider eligible capital expenses for the historic calendar year of 2025 (the same period  
13 covered in the base rate proceeding), the ICRR Tariff is less necessary in 2026 as that  
14 exercise would, in practice, simply be a reconciliation between actual and forecasted  
15 capital investments.

16 **Q. DOES MR. DITTEMORE, ON BEHALF OF THE CONSUMER ADVOCATE,**  
17 **AGREE WITH THE COMPANY THAT THE CURRENT TARIFF, AGREED TO**  
18 **BY BOTH THE CONSUMER ADVOCATE AND THE COMPANY, AND**  
19 **ADOPTED BY THE COMMISSION, DOES NOT PROVIDE FOR A NEGATIVE**  
20 **ICRRR FACTOR?**

---

<sup>13</sup> See *Order Granting Petition as Amended*, p. 12, TPUC Docket No. 24-00011 (Nov. 8, 2024) (“Based on the evidentiary record, the panel found that the zero percent (0%) Incremental Capital Recovery Rider (“ICRR”) rate filed by the Company is reasonable and consistent with previously approved methodologies in Docket No. 19-00103.”) (hereinafter the “2024 ICRR Tariff Order”).

1 A. Yes. Mr. Dittmore testified in his Pre-filed Testimony in this proceeding that in his  
2 opinion the tariff does not allow for a negative ICRRR and unlike the Legacy Capital  
3 Recovery Riders in place prior to the approval of the ICRR Tariff in Docket No. 19-00103,  
4 does not provide a “credit back to customers”.<sup>14</sup>

5 **Q. IS IT NECESSARY, AS MR. DITTEMORE PROPOSES, FOR THE TENNESSEE**  
6 **PUBLIC UTILITY COMMISSION TO REQUIRE PARTIES, ABSENT A**  
7 **SUSPENSION OF THE ICRR TARIFF, TO ADOPT NEW ICRR TARIFF**  
8 **LANGUAGE WITHIN 90 DAYS TO SPECIFICALLY PERMIT A NEGATIVE**  
9 **ICRRR CREDIT?**

10 A. No. The Company agrees to a temporary one-year suspension of the ICRR in 2026, thus  
11 Mr. Dittmore’s alternate proposal is unnecessary.

12 **Q. DOES THE CONSUMER ADVOCATE PROPOSE ANY ADJUSTMENTS TO THE**  
13 **ROE CALCULATION?**

14 A. Yes. Mr. Dittmore proposes a 15% Non-Revenue Water (NRW) limitation on two  
15 components of production costs purchased power and fuel and chemical costs.

16 **Q. DOES THE COMPANY SUPPORT THIS ADJUSTMENT FOR A 15% NRW**  
17 **LIMITATION?**

18 A. The Company does not believe that a 15% NRW% limitation is reasonable or supported  
19 by industry practice and norms.

---

<sup>14</sup> Dittmore Pre-filed at 4:8-9.

1 **Q. HOW DO YOU RESPOND TO CAD'S 15% NRW RECOMMENDATION IN THIS**  
2 **PROCEEDING?**

3 A. Recognizing the resolution of this issue by the parties in TPUC Docket No. 25-00002, for  
4 the purposes of this proceeding, and under the circumstances presented, TAWC accepts  
5 the CAD's recommendation of a 15% NRW water loss limitation factor. Nonetheless, the  
6 Company hopes to have meaningful opportunities going forward to explore with the CAD  
7 and the Commission an industry appropriate, regulatorily sound, and reasonable approach  
8 to the water loss limitation factor.

9 **Q. WHAT DO YOU RECOMMEND TO THE COMMISSION?**

10 A. I recommend that the Commission accept the Company foregoing and not submitting an  
11 ICRR Tariff filing in 2026, with an automatic restart in 2027. This means that no ICRR  
12 filing would be made in March of 2026 to address costs associated with ICRR eligible  
13 infrastructure investment made in 2025. The ICRR Tariff would then pick up again, unless  
14 superseded by another Commission-approved regulatory mechanism in 2027. This would  
15 allow the Company the opportunity to consider alternative regulatory tools provided by the  
16 legislature beyond a traditional rate case.<sup>15</sup>

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

18 A. Yes.

---

<sup>15</sup> *Order Setting Utility Rates*, p. 28, TPUC Docket No. 24-00032 (April 21, 2025).

TENNESSEE-AMERICAN WATER COMPANY  
2024 Incremental Capital Rider Revenue Requirement ("ICRRR")  
For the Twelve Months Ending December 31, 2024

Line No.	Description	Source	2024
<b>Section A Return</b>			
<b>Determining Capital Rider Rate Base and Rate of Return</b>			
1	TAWC 13-Month Average Rate Base		\$ 291,704,080
2	Eligible Capital Rider Rate Base		175,069,224
3	Plus:		
4	Authorized Rate Base	Rate Order 12-00049	132,015,472
5	Acquisition Rate Base		(935,260)
6	Eligible Capital Rider Rate Base Plus	Line 2 + Line 4 + Line 5	306,149,436
7	Lower of the Rate Base Calculation	Lower of Line 1 or Line 6	\$291,704,080
8	Eligible Rate Base	Line 7 Less Lines 4 and 5	160,623,868
9	Less: Previously Recovered CR Rate Base		149,037,001
10	Incremental CRR Investment	Line 8 Less Line 9	11,586,867
11	Pre-Tax Return	12-00049	8.45%
12	Pre-Tax Revenue Deficiency on ICR Investment	Lines 10 * 11	979,259
13	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
<b>Return on Rate Base Revenue Deficiency w/ Regulatory Lag</b>			
14	Lag	Line 12 * Line 13	\$ 1,082,711
<b>Section B: Depreciation</b>			
<b>Determining Depreciation Expense</b>			
15	TAWC Depreciation Expense	PSC--3.06	\$ 12,554,288
16	Minus:		
17	Authorized Depreciation Expense	Rate Order 12-00049	6,090,861
18	Acquisition Depreciation Expense		24,878
19	Legacy CRR Depreciation Recovery		4,264,359
20	Incremental Depreciation Expense Cap (Depreciation Expense Unrecovered in either base rates or Capital Rider)	Line 15 Less Lines 17, 18, 19	2,174,190
21	Incremental CR Depreciation Expense		1,206,251
22	Lower of the Depr Expense on incremental CR expenditures or Unrecovered Depreciation Expense	Lower of Line 20 or 21	1,206,251
23	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
24	ICRRR Depreciation Expense w/ Regulatory Lag	Line 22 * 23	\$ 1,333,683
<b>Section C: Property and Franchise Tax Expense</b>			
25	Determining Property & Franchise Tax Expense		
26	TAWC Property tax - gross	PSC--3.06	\$ 1,487,109
27	TAWC Franchise tax		479,133
28	Minus:		
29	Authorized Property & Franchise Tax	Rate Order 12-00049	3,166,568
30	Acquisition Property tax		10,298
31	Acquisition Franchise Tax		2,338
32	Legacy CR Property Tax Recovery		2,025,246
33	Incremental Property & Franchise Tax (Unrecovered in either base rates or capital rider)	Lines 26 + 27 Less Lines 29, 30, 31, 32	(3,238,209)
34	Incremental Property and Franchise Taxes	Property & Franchise Tax Calc	352,937
35	Eligible Capital Rider Franchise Tax		
36	Lower of unrecovered actual or CR property and franchise tax expense	Lower of Line 33 or 34	(3,238,209)
37	Lag Weighted Return Factor - Pre-Tax	Regulatory Lag Factor	1.1056
38	ICRRR Property and Franchise Tax w Regulatory Lag	Line 36 * 37	(3,580,303)
39	<b>Total ICRRR Revenue Requirement</b>	Lines 14 + 24 + 38	\$ (1,163,910)
40	CRR Revenue Deficiency	Line 39	\$ (1,163,910)
41	Revenue Taxes Reciprocal Factor		103.30%
42	<b>Revenues with Revenue Taxes</b>		\$ (1,202,275)
43	(Over)/Under Collection from Prior Period		\$ 605,074
44	<b>After Tax ICRRR</b>		\$ (597,200)

**TENNESSEE-AMERICAN WATER COMPANY**  
**Calculation of Return on Equity Test**  
**For the Twelve Months Ending December 31, 2024**  
**Docket No. 25-000XX**

**Line No.**

1	2024 ICRRR	
2	<b>Calculation of Adjusted Net Income</b>	
3	Book Net Income	\$ 15,324,475
4	Adjustments to Book Income	0
5	Deferred Depreciation, Property Tax and Debt Carrying Cost	0
6	New ICRRR Revenue	0
7	Allowance for Funds Used During Construction	0
8	Adjustment to reflect effective Federal Rate	0
9	Income Tax Rate (debt assigned to parent)	451,115
10	Interest on Customer Deposits	0
11	Incentive Compensation	1,045,614
12	Lobbying Expenses	57,075
13	Lobbying - Salary	26,998
14	Deferral of Operating Costs - Main Break	0
15	Excess Production Costs > 15% Adjustment	0
16	Reversal of Revenue Adjustment	0
17	Adjustments to Net Income (Lines 5-16)	\$ 1,580,802
18	Adjusted Net Income (Line 3+17)	\$ 16,905,278
19	<b>Calculation of Equity</b>	
20	TAWC 13-Month Avg Rate Base	\$ 291,704,080
21	Less: 13-Month Avg Debt:	
22	Short-Term Debt	\$ 5,170,671
23	Long-Term Debt	\$ 126,455,692
24	Equity Financed Rate Base * (Line 20-22-23)	\$ 160,077,717
25	Earned Return on Equity (Line 18/24)	10.56%
26	Less: Authorized Return	10.00%
27	Excess Return on Equity (Line 25- 26)	0.56%
28	*Earned Return on Equity above authorized. No Revenue Deficiency.	



**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION  
NASHVILLE, TENNESSEE**

**IN RE:**

**TENNESSEE-AMERICAN WATER  
COMPANY'S 2025 INCREMENTAL  
CAPITAL RECOVERY RIDER TARIFF  
PETITION**

**DOCKET NO. 25-00016**

---

**VERIFICATION**

---

**STATE OF** Tennessee )  
 )  
**COUNTY OF** Hamilton )

I, ROBERT C. LANE, being duly sworn, state that I am authorized to testify on behalf of Tennessee-American Water Company in the above-referenced docket, that if present before the Commission and duly sworn, my testimony would be as set forth in my pre-filed testimony in this matter, and that my testimony herein is true and correct to the best of my knowledge, information, and belief.



ROBERT C. LANE

Sworn to and subscribed before me  
this 13<sup>th</sup> day of May, 2025.

  
\_\_\_\_\_  
Notary Public

My Commission Expires: 2-28-28



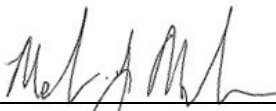
CERTIFICATE OF SERVICE

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

Vance L. Broemel, Esq.  
Managing Attorney  
Office of the Tennessee Attorney General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Vance.Broemel@ag.tn.gov](mailto:Vance.Broemel@ag.tn.gov)

Karen H. Stachowski, Esq.  
Deputy Attorney General  
Office of the Tennessee Attorney General  
Consumer Advocate Division  
P.O. Box 20207  
Nashville, TN 37202-0207  
[Karen.Stachowski@ag.tn.gov](mailto:Karen.Stachowski@ag.tn.gov)

This the 13<sup>th</sup> day of May 2025.

  
\_\_\_\_\_  
Melvin Malone