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September 23, 2021

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Iowa Utilities Board  
1375 E. Court Avenue  
Des Moines, IA 50319-0069

Attn: Louis Vander Streek  
Chief Operating Officer

Re: Re: Iowa-American Water Company  
Docket No. RPU-2020-0001  
Compliance Filing

Dear Mr. Vander Streek:

Filed herewith, as ordered by the Iowa Utilities Board's ("Board") September 21, 2021 Order Addressing Compliance Filing and Request for Clarification in the above-referenced rate case ("Order"), is Iowa-American Water Company's ("Iowa-American" or "Company") compliance filing. The Board's Order approved a revenue requirement of \$43,850,770, reflecting a revenue increase of \$2,300,651.

The filing accompanying this transmittal letter includes the following documents:

1. Compliance Tariff – redlined version showing all revisions to the tariff filed on July 16, 2021 updated for the three substitute sheets ordered by the Board;
2. Compliance Tariff – clean version incorporating all revisions shown in the redlined compliance tariff;
3. The updated final class cost of service study;
4. The final revenue allocation by customer class;
5. The rate calculations for each customer class;
6. The proof of revenue calculations demonstrating that the proposed rates will produce the approved revenue requirement, in the same format as the document the Company filed as Attachment 8 of 12 as part of its January 11, 2021 response to the Board's December 11, 2020 Order Requiring Additional Information and showing the percentage increase for each customer class; and,
7. The updated non-recurring revenue and expense rider and workpaper that now includes the updated rate case expense and the removal of the 2020 QIP reconciliation.

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Additionally the Board directed Iowa-American to explain the return of protected EADIT to Iowa-American's customers. Protected EADIT is being returned over ARAM as a credit within the base rates and revenue requirement of the Company as supported in the record by both the Company and the OCA. Company witness Wilde states at page 9 and 10 of his direct testimony:

“The portion of the EADIT reserve subject to the normalization rules is sometimes known as “protected” EADIT. Under the TCJA’s normalization requirement, protected EADIT may be amortized by a corresponding reduction in the revenue that the utility collects from customers no more rapidly than the reserve would be reduced using the average rate assumption method (“ARAM”) to compute depreciation.”

and

“Iowa-American Wilde Direct Exhibit 4 contains a column that provides this information. Based on available tax guidance, the inventory indicates the EADIT balances that should be treated as protected for tax purposes (that is, subject to tax normalization), and which should be treated as unprotected for tax purposes.”

OCA Witness Kruger states at page 39 of his direct testimony:

“The IRS requires the amortization of protected EADIT and the provision to customers as a reduction to the revenue requirement using ARAM, or in the case of smaller utilities that may not have sufficient records or resources to perform ARAM, the Reverse South Georgia Method. The Reverse South Georgia Method and ARAM both result in an amortization of the EADIT over the life of the assets which gave rise to the liability.”

Iowa-American requests that the Board and OCA review the compliance filing as soon as possible.

Please contact the undersigned with any questions or concerns.

Very truly yours,

/s/ Sheila K. Tipton  
Sheila K. Tipton

ATTORNEY FOR  
IOWA-AMERICAN WATER COMPANY