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January 5, 2011

Mary Freeman, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

filed electronically in docket office on 01/05/11

Attention: Sharla Dillon

In Re: *Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges so as to Permit it to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Water Service to Its Customers*,  
Docket No. 10-00189

Dear Chairman Freeman:

Enclosed please find for filing in the above-referenced proceeding a public version of the Direct Testimony of James Lewis, submitted by the Utility Workers Union of America, AFL-CIO and UWUA Local 121, with confidential information redacted as per the agreement of the parties. The original and four copies will follow via U.S. Mail. The full, confidential version of this document and its exhibits will also be sent via U.S. Mail to the Authority and to each party of record.

Please feel free to contact either of the undersigned if you have any questions. Thank you for your attention to this matter.

Sincerely,



Scott H. Strauss  
Katharine M. Mapes

Attorneys for UWUA Intervenors

Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

PETITION OF TENNESSEE AMERICAN  
WATER COMPANY TO CHANGE AND  
INCREASE CERTAIN RATES AND  
CHARGES SO AS TO PERMIT IT TO  
EARN A FAIR AND ADEQUATE RATE  
OF RETURN ON ITS PROPERTY USED  
AND USEFUL IN FURNISHING WATER  
SERVICE TO ITS CUSTOMERS

Docket No. 10-00189

DIRECT TESTIMONY OF JAMES LEWIS

ON BEHALF OF THE UTILITY WORKERS UNION OF AMERICA, AFL-CIO

AND UWUA LOCAL 121

January 5, 2011

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is James Lewis. My business address is 2120 Lonergan Street, Pittsburgh, PA  
3 15216.

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

5 A. I am employed by the Utility Workers Union of America, AFL-CIO ("UWUA"). My  
6 position is National Senior Representative, Region II. Region II covers the states of  
7 Florida, Maryland, Pennsylvania, Tennessee, Virginia, and West Virginia, and includes the  
8 unionized workforce at Tennessee American Water Company ("TAWC" or "Company").  
9 I have held this position since June 2001.

10 Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?

11 A. I am testifying on behalf of the Utility Workers Union of America, AFL-CIO ("UWUA")  
12 and UWUA Local 121 (referred to collectively as "Local 121").

13 Q. PLEASE DESCRIBE YOUR EMPLOYMENT EXPERIENCE.

14 A. Prior to becoming a National Senior Representative, I was employed for roughly 22 years  
15 at a wastewater treatment facility located in Pittsburgh, PA, operated by the Allegheny  
16 County Sanitary Authority. During 1996-2001, I served as President of UWUA Local 433  
17 (and in other, lesser officer positions in the Local), which has roughly 250 members.

18 Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS A NATIONAL SENIOR  
19 REPRESENTATIVE.

1 A. In my role as National Senior Representative, my main job responsibilities include  
2 processing grievances, handling arbitrations, and assisting in the conduct of contract  
3 negotiations.

4 Q. PLEASE DESCRIBE YOUR AREAS OF PROFESSIONAL EXPERTISE.

5 A. I have long experience with water facility operations and related staffing issues, and with  
6 union-management relationships concerning these issues. I am familiar with Tennessee  
7 American Water Company, as well as other American Water affiliates.

8 Q. PLEASE DESCRIBE YOUR EXPERIENCE WITH TENNESSEE AMERICAN WATER  
9 COMPANY.

10 A. As part of my job, I have handled all of the grievance procedures involving Local 121  
11 members. To date, there have been settlement proceedings concerning these grievances,  
12 though during my tenure none have thus far gone to arbitration. When the Local 121  
13 contract expires in 2011, I anticipate handling the negotiations for a new agreement. In  
14 addition, I maintain routine contact with the Local 121 leadership and am apprised from  
15 time-to-time of issues the Local may be facing, including those that may be contested  
16 through the grievance process.

17 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

18 A. Local 121 supports TAWC's request for approval to recover the "fully loaded and  
19 labor-related expenses" associated with 110 full-time employees. However, Local 121  
20 requests that any approval be conditioned on the imposition of a requirement on the

1 Company to maintain its full-time employee workforce at the 110 person level (or higher).

2 The bases for this position are that:

- 3 • Company witness John Watson testifies that TAWC requires 110 full-time  
4 employees, including those employees represented by Local 121, to be able to  
5 conduct short and long-term activities in an efficient and cost-effective manner.
- 6 • Information provided by the Company shows that the current workforce is  
7 composed of 103 full-time employees (or less, as discussed below). This staffing  
8 level is below that: (1) requested by TAWC for salary and wage expense purposes  
9 in the prior (2008) rate case; and (2) granted by the Authority in the 2008 rate  
10 case.
- 11 • During the period since the Authority's order in the 2008 rate case, TAWC has  
12 not maintained a union-represented workforce that is consistent with the level  
13 authorized by the Authority, let alone the higher level that TAWC maintained  
14 before the Authority in the 2008 rate case was necessary to provide service to  
15 customers.
- 16 • TAWC acknowledges that its current workforce is insufficient for the  
17 cost-effective conduct of either essential short-term or long-term activities,  
18 including valve maintenance. For example, the number of overtime hours, which  
19 had been going down in recent years (and which the Company states that it wishes  
20 to avoid or limit) is estimated to increase substantially.

- 1           • Events since the submission of the Company's direct testimony in this proceeding  
2           underscore the staffing challenges facing TAWC. The Company recently fired  
3           eight (8) union-represented employees who work in the Distribution Department  
4           (along with several supervisory personnel), and three (3) other union members  
5           have recently retired or otherwise left TAWC employ. (The propriety of the  
6           terminations is being addressed elsewhere and is not before the Authority.)
- 7           • The Company has indicated that the maintenance of an employee workforce  
8           consistent with its staffing needs assessment is dependent upon the ability to  
9           include the associated salary/wage expenses in rates. However, given the  
10          Company's staffing since the 2008 rate case, Local 121 is concerned that, even if  
11          the 110 full-time employee level proposed by the Company is adopted, TAWC  
12          may not fully staff its operations.
- 13          • To ensure that the Company is adequately staffed, any rate increase approved in  
14          this proceeding should be conditioned on the Company being required to maintain  
15          a full-time employee workforce of at least 110 employees at all times.
- 16          • The Company currently submits quarterly reports to the Authority stating  
17          TAWC's authorized and actual employment levels. In the event that the  
18          Company fails to maintain a workforce level consistent with the level authorized  
19          in this case, and absent a showing of emergency or unforeseen circumstances,  
20          TAWC should be subject to a penalty. The penalty could, for example, take the  
21          form of a reduction in the return on equity component of its rates.

1 Q. CAN YOU SUMMMARIZE CERTAIN STAFFING FIGURES THAT ARE RELEVANT  
2 TO THE MATTERS AT ISSUE?

3 A. Yes. The following chart should be of assistance in reviewing my testimony. It  
4 summarizes several key staffing data points. The bases for these numbers are addressed in  
5 my testimony:

Full-Time Employee Staffing Level Requested by TAWC in 2008 Rate Case	114 Full-Time employees
Full-time Employee Staffing Level Granted by Authority in 2008 Rate Case	109 Full-Time employees
Full-time Employee Staffing Level as of January 31, 2009	107 Full-Time employees
Full-Time Employee Staffing Level as of November 1, 2010	103 Full-Time employees
Full-Time Employee Staffing Level as of January 2011 (Estimated)	87 Full-Time employees
Full-time Employee Staffing Level Requested by TAWC in 2010 Rate Case	110 Full-Time employees

6  
7 Q. HOW MANY TAWC EMPLOYEES ARE REPRESENTED BY LOCAL 121?

8 A. According to TAWC's Quarterly Report of Total Employees for the period ending January  
9 1, 2009, as of that time the Company had 80 union-represented employees, and had six (6)  
10 additional union-represented positions that were vacant. TAWC's overall employment  
11 level at that time was 107 full-time employees.

12 As of October 2010, the portion of the unionized workforce represented by Local 121  
13 consisted of 77 employees. Since that time, eight (8) members of Local 121 have been

1 fired by the Company, and three (3) others have retired as of the beginning of this year  
2 (2011). I am not aware that any of these positions have been filled. My understanding is  
3 that at the present time there are 66 TAWC employees represented by Local 121.

4 Q. HOW ARE LOCAL 121 MEMBERS INVOLVED IN THE OPERATIONS OF  
5 TENNESSEE AMERICAN WATER?

6 A. Local 121 members are involved in all aspects of Company operations, including ensuring  
7 water quality and proper filtering, operating and maintaining distribution facilities, reading  
8 meters, and collecting bills from customers. Local 121 members also are involved in the  
9 installation of new services and service disconnections.

10 Q. IS THERE A COLLECTIVE BARGAINING AGREEMENT IN PLACE FOR UWUA  
11 LOCAL 121-REPRESENTED EMPLOYEES?

12 A. Yes. There is currently a collective bargaining agreement in place covering the Local  
13 121-represented employees. The agreement has a five-year term. It commenced in  
14 November 1, 2006 and can expire no earlier than October 31, 2011.

15 Q. IS THE CURRENT EMPLOYEE WORKFORCE OF TENNESSEE-AMERICAN  
16 WATER SUFFICIENT TO CONTINUE TO ENSURE SAFE, RELIABLE, AND HIGH  
17 QUALITY WATER SERVICES TO CUSTOMERS?

18 A. Not according to the Company. TAWC has acknowledged that it does not currently have a  
19 sufficient workforce to perform all required functions in an efficient and cost-effective



1 manner. This assessment by the Company was provided before the recent firings and  
2 retirements.

3 In addition, in early 2009 I recall hearing a concern about staffing being expressed by the  
4 person who was then President of Local 121. He informed me that there was  
5 under-staffing in the Distribution Department, and that the Company was fixing leaks and  
6 repairing lines using "skeleton crews." I took this to mean a crew without sufficient  
7 members. My recollection is that the concern was that the Company lacked sufficient  
8 personnel in the Distribution Department, and that as a result the work was being  
9 contracted-out.

10 Q. HOW MANY EMPLOYEES DOES THE COMPANY NEED TO ENSURE SAFE,  
11 RELIABLE AND HIGH-QUALITY WATER SERVICES TO ITS CUSTOMERS?

12 A. According to witness Watson, the Company needs 110 full-time employees. Mr. Watson  
13 states that "[e]ach of these employees is directly and integrally involved in the provision of  
14 water service to the customers of TAWC." Watson Testimony at 21:16-17. In response to  
15 a data request, the Company stated that 82 of these positions are for hourly employees and  
16 28 are for managerial employees. The data response is Exhibit No. UWUA-2 to this  
17 testimony. That means roughly one managerial employee for every three hourly  
18 employees. In my experience, this is a higher than average ratio of management to hourly  
19 employees, especially for a private company.

1 Q. IS LOCAL 121 CONCERNED THAT THE COMPANY WILL NOT HIRE THE  
2 NEEDED EMPLOYEES ABSENT INCLUSION OF RELATED COSTS IN RATES?

3 A. Yes.

4 Q. WHAT IS THE BASIS FOR THIS CONCERN?

5 A. The Company has implied as much in response to a Local 121 discovery request. The  
6 Company has stated in a discovery response that “of course the number of employees,  
7 payroll expenses, and employee benefit expenses determined by the Authority in this case  
8 in determining fair and reasonable rates could impact the number of employees at  
9 TAWC.” The discovery response is Exhibit No. UWUA-3 to this testimony. Another  
10 reason for concern is that since the 2008 rate case order, TAWC’s staffing level has  
11 consistently been below the number determined by the Authority in that case.

12 Q. HOW MANY FULL-TIME EMPLOYEES DID THE COMPANY EMPLOY AT THE  
13 TIME IT INITIATED THIS PROCEEDING?

14 A. Witness Watson testifies that the Company currently “employs 103 employees directly in  
15 its daily operations,” Watson Testimony at 21:12-13, and states that TAWC “here seeks to  
16 recover fully loaded labor and labor-related expenses for 110 full-time employees in this  
17 rate request.” *Id.* at 21:15-16.

18 Q. IS A FULL-TIME WORKFORCE OF 103 EMPLOYEES CONSISTENT WITH THE  
19 NUMBER OF EMPLOYEES “GRANTED” BY THE AUTHORITY IN THE 2008 RATE  
20 CASE FOR USE IN SETTING SALARY AND WAGE EXPENSE LEVELS?

1 A. No. My understanding is that the Authority set a level of 109 employees for wage and  
2 salary expense level purposes in the 2008 Rate Case. Witness Watson testifies that the  
3 103-employee level is “six less than the number of employees granted by the Tennessee  
4 Regulatory Authority in Docket 08-00039.” *Id.* at 21:13-14.

5 Q. DID THE COMPANY PROPOSE A 109 FULL-TIME EMPLOYEE LEVEL IN THE  
6 DOCKET 08-00039?

7 A. No. My understanding is that the Company proposed a 114 full-time employee level in  
8 that proceeding. Witness Watson stated that the previously-authorized employee number  
9 was 111, and that TAWC had identified three additional employees “that have or soon will  
10 be added to the workforce in 2008 to complete the 114 employees included in the  
11 Company’s filing.” Watson Testimony in Docket 08-00039 at 15:9-11. Mr. Watson went  
12 on to state that these “employees are directly involved in the provision of water service to  
13 the customers of TAWC.” *Id.* at 15:11-13.

14 Q. WHEN WAS THE AUTHORITY’S ORDER ISSUED IN DOCKET 08-00039?

15 A. It was issued in January 2009.

16 Q. SINCE THAT TIME, HAS THE COMPANY AT ANY POINT MAINTAINED A  
17 FULL-TIME EMPLOYEE COMPLEMENT OF 109 OR MORE EMPLOYEES?

18 A. No. Data provided by the Company in discovery show that [BEGIN CONFIDENTIAL  
19 MATERIAL]

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[END

**CONFIDENTIAL MATERIAL]**

Q. HAS THE COMPANY’S CUSTOMER WORKLOAD BEEN REDUCED SINCE THE  
ISSUANCE OF THE ORDER IN DOCKET 08-00039?

A. I am not aware of any such claim.

Q. ARE YOU AWARE OF CHANGES IN FULL-TIME EMPLOYEE LEVEL CHANGES  
SINCE WITNESS WATSON’S TESTIMONY WAS FILED IN SEPTEMBER 2010?

A. Yes, I am. In early November, the Company terminated eight (8) of its full-time  
employees represented by the Local 121 (as well as five supervisory level employees who  
are not union-represented). Each of the union-represented workers was employed in the  
Distribution Department. (I am involved in the grievance process concerning these  
terminations.) Witness Watson testified that as of the submission of this rate case, there  
are seven (7) vacant positions in the Distribution Department (out of a total of 42  
employees). Watson Testimony at 22:12-13. The recent firings are in addition to those  
prior vacancies. Assuming none of those positions has been filled, the total number of

vacancies in the Distribution Department would be 15, meaning that roughly 35 percent of the positions in this Department are currently vacant.

In addition, as of the first of this year, my understanding is that three (3) union-represented employees have either retired or otherwise left employment in the Company.

Q. TO YOUR KNOWLEDGE, HAVE ANY OF THE POSITIONS HELD BY THESE TERMINATED EMPLOYEES SINCE BEEN FILLED?

A. No, not to my knowledge. In addition, my understanding is that some of these employees were long-time TAWC employees, including some with more than two decades of experience. This means that even if these employees are replaced with new hires, the new personnel will not have the “institutional knowledge” possessed by the long-term and now terminated employees.

Q. HAS THE COMPANY PROVIDED OTHER DATA CONCERNING STAFFING LEVELS DURING THE PAST FEW YEARS?

A. Yes. In response to a discovery request, the Company has provided the following full-time employee levels as of the referenced points in time:

November 1, 2010:	103
May 1, 2010:	103
December 31, 2009:	105
December 31, 2008:	107

1 The data response containing these data is Exhibit No. UWUA-5 to my testimony. The  
2 Company states that these numbers are “without reference to the status of the bargaining  
3 unit bidding process or the use of temporary employees or deploying overtime to  
4 compensate for the vacancies.”

5 Q. ASIDE FROM THE RECENT TERMINATIONS, HAS THE COMPANY EXPLAINED  
6 WHY ITS FULL-TIME WORKFORCE IS NOT EQUAL TO THE LEVEL SET FOR  
7 SALARY/WAGE EXPENSE PURPOSES IN DOCKET 08-00039?

8 A. Mr. Watson testified and explained in discovery that the 103-employee level reflects  
9 retirements or position vacancies. A Company response to a Local 121 data request shows  
10 that some of the positions have been vacant for several months. Exhibit No. UWUA-6.  
11 However, the Company has not explained why, since January 2009, TAWC has failed to  
12 maintain at any point in time a workforce equal to the “number of employees granted” by  
13 the Authority in Docket 08-0039. Watson Testimony at 21:13-14.

14 Q. HAS THE COMPANY EXPLAINED THE BASIS FOR ITS REQUEST TO RECOVER  
15 FULLY LOADED LABOR AND LABOR-RELATED EXPENSES FOR 110 FULL  
16 TIME EMPLOYEES?

17 A. Yes. The Company has maintained in response to data requests that the 110 full-time  
18 employee level is based upon internal assessments and is necessary to effective  
19 management of the Company. For example, in response to a UWUA data request, witness  
20 Watson states:

1           The Company has assessed its current operation and believes the  
2           compliment [sic] of 110 full time positions requested in this case  
3           is necessary to: i) carry out its public service obligation, ii) meet  
4           customer demands for customer service, water quality and iii)  
5           carry out the administrative functions of the Company. That  
6           determination has been made through discussion with Mr.  
7           Watson and the management staff of TAWC and been authorized  
8           by the Company's Board of Directors.

9           Exhibit No. UWUA-7. Similarly, the Company states in response to another UWUA  
10          request, witnesses Watson and Miller state:

11          In order to maintain an appropriate level of service going forward,  
12          the Company needs 110 full-time employees and an appropriate  
13          rate of return to be able to employ this level of employees.

14          Exhibit No. UWUA-8. Witness Watson likewise responded to another Local 121 data  
15          request on this topic by stating:

16          The Company's requested employee level of 110 employees in this  
17          case has been supported by significant amounts of testimony and  
18          working papers filed with the TRA and provided to the intervenors  
19          in this case. The process which the Company went through to  
20          determine the 110 employee level in this case is the same process  
21          the Company goes through each year in determining the

1 appropriate level and mix of employees needed to meet its business  
2 needs and provide adequate service.

3 Exhibit No. UWUA-9.

4 Q. HAS THE COMPANY TESTIFIED TO THE IMPACT OF THE MAINTENANCE OF A  
5 FULL-TIME EMPLOYEE STAFF AT LEVELS BELOW THOSE "GRANTED" BY  
6 THE AUTHORITY IN DOCKET 08-00039?

7 A. Yes. The Company indicates that it currently does not have a sufficient full-time  
8 employee workforce to meet day-to-day customer needs. Witness Watson states that the  
9 "seven (7) vacant positions (generally the result of retirements) are going to be filled  
10 before the beginning of the attrition year because filling these positions is necessary for  
11 TAWC to meet the day-to-day service needs of our customers." Watson Testimony at  
12 23:6-9. In response to discovery requests from the UWUA, the Company explained that  
13 because it does not currently have sufficient employees, TAWC (1) is unable to address  
14 long-term maintenance issues efficiently and cost-effectively; and (2) cannot complete  
15 required short-term service needs without overtime and other actions. The discovery  
16 response is Exhibit No. UWUA-10 to this testimony.

17 In terms of long-term needs, the Company states, in a response sponsored by witness  
18 Watson:

19 There are long term maintenance issues the Company is not  
20 able to address in a manner that would be more efficient  
21 and cost effective in the long run due to the shortage of



1 funding. Examples of long term maintenance issues  
2 include: 1) valve operation and maintenance, 2) cross  
3 connection programs, and 3) enhanced addressing of main  
4 breaks.

5 The Company was also asked in the same data request to “state the ‘day-to-day service’ needs  
6 of customers that are not currently being met as a result of these vacancies.” TAWC stated:

7 All service needs are being adequately addressed on a short  
8 term basis through the use of currently existing employees,  
9 through the use of overtime, and in some instances through  
10 the redistribution of employees to meet immediate service  
11 needs. The Company’s efforts to adequately address  
12 service needs in the short term, however, will not work over  
13 the long term. The Company cannot continue to adequately  
14 address service needs on a long term basis without  
15 obtaining the appropriate staffing levels that have been  
16 proposed in this rate case.

17 Q. THE COMPANY’S DATA RESPONSE MENTIONS VALVE OPERATION AND  
18 MAINTENANCE. PLEASE EXPLAIN THE SIGNIFICANCE OF THESE EFFORTS?

19 A. The Company does not explain what it means when it states that because of staffing  
20 limitations, TAWC cannot undertake valve operation and maintenance (“O&M”) in an  
21 efficient and cost effective manner. However, any failure to conduct a valve O&M

1 program appropriately can be very significant for a water system and its customers.  
2 Valves are used to isolate portions of the system for maintenance and emergency purposes.  
3 In an emergency situation, such as a water main break, valves in the area of the break will  
4 need to be located quickly and closed to isolate the problem. The valve maintenance  
5 program helps to ensure easy valve location and proper functioning. If a water main were  
6 to break (or if a main needs a repair or maintenance) and the relevant valve (or valves)  
7 either could not be found or failed to close, water would continue to flow and could  
8 continue to cause considerable damage. The failure could also have ripple effects, leading  
9 to additional customer service disruptions in a larger area. In other words, if there are  
10 valve problems, a situation that should have been quickly contained can become a more  
11 challenging problem. For these reasons, the Company's statement that it cannot conduct  
12 valve maintenance effectively on a long-term basis absent sufficient staff should be taken  
13 very seriously.

14 Q. WHAT DO YOU UNDERSTAND IS THE COMPANY'S CURRENT APPROACH TO  
15 VALVE MAINTENANCE?

16 A. It is not clear that there are sufficient employees to perform needed valve maintenance.

17 My comments about the valve maintenance program are informed by a recent  
18 communication with Jerry Haddock, a distribution department employee who retired from  
19 the Company in November 2010. Jerry informed me that while in the employ of TAWC,  
20 he was involved in valve maintenance activities. He stated that he was charged with  
21 having to check 50 percent (or more) of the 16 inch or larger valves each year. According

1 to Jerry, there are approximately 400-450 such valves on the system. In addition, Mr.  
2 Haddock was responsible for inspecting and operating roughly 20 percent (or 2,000) of the  
3 10,000 or so smaller valves on the system.

4 Mr. Haddock informed me that he would submit reports to the Company concerning  
5 valves that were in need of repair, but that repairs were frequently not made, and noted that  
6 some valves have been broken for several years. The lack of properly-operating valves  
7 can significantly complicate efforts to address line leaks. Mr. Haddock noted that there  
8 had been instances in which employees would have to spend hours turning valves before  
9 they could get a leak shut off. Sometimes they were unable to locate an operating valve  
10 and would have to perform the work under pressure. It is much more difficult to conduct  
11 repairs when the water pressure has not been turned off.

12 Mr. Haddock related to me an incident in which it was necessary to shut off a 2 and  
13 one-half inch line, but the employees were unable to do so despite turning 40-45 valves.  
14 Mr. Haddock stated to me that repairs were not being made because of a lack of manpower  
15 and funds.

16 I have attached as Exhibit UWUA-11 to my testimony a statement that was provided to  
17 Local 121 by Mr. Haddock and which supports my statements concerning our  
18 communication.

Q. THE COMPANY STATES THAT DAY-TO-DAY SERVICE NEEDS ARE BEING MET  
IN PART THROUGH THE USE OF OVERTIME. HAS THE COMPANY PROVIDED  
EVIDENCE IN THIS PROCEEDING SUPPORTING THIS STATEMENT?

A. Yes, it has. While the number of overtime hours has declined in recent years, the  
Company forecasts a substantial increase in overtime hours during the test year. As  
provided in response to a discovery request (which is Exhibit UWUA-12 to this  
testimony):

Total OT Hours	
2005	5,746.25
2006	6,222.75
2007	7,198.50
2008	4,769.75
2009	3,830.50
Test Yr Ended	
March 2010	4,848.50

Q. WHAT DOES THE LOCAL RECOMMEND BE DONE WITH RESPECT TO  
STAFFING LEVELS?

A. The Company has testified that it requires 110 full-time employees to conduct all needed  
short-term and long-term operations in a cost effective and efficient manner. Local 121  
does not dispute that assessment. The Company should staff its full-time employee  
workforce at no less than the 110 full-time employee level. However, based on staffing  
levels over the past few years, Local 121 is concerned that even if the Authority “grants” a

1 workforce level of 110 full-time employees, TAWC may not staff its operations at that  
2 level. Local 121 recommends that the Authority couple its “grant” of 110 full-time  
3 employees with some assurance that the Company will in fact staff its operations at that  
4 level and maintain all needed staff. For the quality-of-service reasons discussed above,  
5 this is especially crucial for the 82 hourly positions that the Company has requested.

6 Q. WHAT IS THE BASIS FOR THAT CONCERN?

7 A. The basis is the Company’s failure, since the issuance of the order in Docket 08-00039, to  
8 staff its operations at the “granted” level. The Company’s failure to do so is especially  
9 troubling in that, as I noted earlier, the Company requested in the 2008 rate case that the  
10 Authority “grant” it a full-time employee level of 114. Given the Company’s assessment  
11 of its own need, it seems that TAWC should have at least staffed its operations at the 109  
12 level “granted” by the Authority, if not higher.

13 Q. HAS THE COMPANY TESTIFIED THAT IT INTENDS TO STAFF ITS OPERATIONS  
14 AT THE 110 FULL-TIME EMPLOYEE LEVEL?

15 A. Yes. Mr. Watson states in a discovery response that “the Company fully intends to have a  
16 work force of 110 employees in the 2011 attrition year as indicated in its filing in this  
17 case.” Exhibit No. UWUA-3. He testifies that that the seven (7) vacant positions “are  
18 going to be filled before the beginning of the attrition year because filling these positions is  
19 necessary for TAWC to meet the day-to-day service needs of our customers.” Watson  
20 Testimony at 23:7-9. At the same time, Mr. Watson responded to a data request by stating

1       that “of course the number of employees, payroll expenses, and employee benefit expenses  
2       determined by the Authority in this case in determining fair and reasonable rates could  
3       impact the number of employees at TAWC.” Exhibit No. UWUA-3.

4   Q.    HOW DOES THE LOCAL SUGGEST THE STAFFING ISSUE BE HANDLED?

5   A.    Any approval of a rate increase in this proceeding should include the imposition of a  
6       condition requiring the Company to maintain staff at a level at least equal to 110 full-time  
7       employees, which is consistent with TAWC’s internal staffing assessment. Given  
8       Mr. Watson’s statement that vacancies will be filled by the beginning of the attrition year,  
9       the imposition of this condition should pose no difficulty for the Company.

10  Q.    HOW MIGHT THIS CONDITION BE ENFORCED?

11  A.    The Company already submits quarterly reports to the Authority stating its authorized and  
12       actual employment levels. In the event that the Company fails to maintain a workforce  
13       level consistent with its authorized level, and absent a showing of exigent circumstances,  
14       TAWC should be subject to a penalty. The penalty could, for example, take the form of a  
15       reduction in the return on equity component of its rates. The penalty would remain in  
16       place until the staffing situation is rectified.

17  Q.    DOES THIS COMPLETE YOUR TESTIMONY?

18  A.    Yes, it does.

CERTIFICATE OF SERVICE

I, Scott H. Strauss, counsel for UWUA Intervenors, hereby certify that on the 5<sup>th</sup> day of January, 2011, caused a true and correct copy of the foregoing Direct Testimony and Exhibits of James Lewis on behalf of the Utility Workers Union of America, AFL-CIO and UWUA Local 121 to be served upon all parties of record via U.S. mail or facsimile.

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Scott H. Strauss

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**Exhibit No. UWUA-2**



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson**

**Question:**

11. With reference to the direct testimony of witness John S. Watson, at page lines 12-17, please state how many of the referenced 110 hourly employees will be supervisory or management personnel as opposed to employee-members of UWUA Local 121.

**Response:**

The Company objects to this request on the grounds that it mischaracterizes the facts of the case including, but not limited to, the fact that there are not 110 hourly employees. The Company's present intent is that the 110 positions will be comprised of 28 management employees and 82 hourly employees. The Company has the exclusive right per the bargaining unit agreement to establish the number of employees in total and by classification. The Company reserves the right to adjust the number of employees and/or change the mix of management and hourly positions at its discretion as circumstances dictate.

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**Exhibit No. UWUA-3**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness:**         **John Watson**

**Question:**

8.       With reference to the direct testimony of witness John S. Watson, at page 21, lines 12-17, please provide (a) all forecasts that have been prepared by or for the Company concerning the number of full-time employees anticipated to be directly involved in daily operations for each of the next five years; and (b) all documents that concern or relate to such forecasts, broken down into supervisory and non-supervisory personnel.

**Response:**

The Company objects to this question on the grounds that the requested information is not relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections, the Company fully intends to have a work force of 110 employees in the 2011 attrition year as indicated in its filing in this case. Consequently, changes in the Company's work force beyond the attrition year are not relevant to the Authority's determination of the Company's rates in this case. At this time the Company has not planned or forecasted any change in that employee level beyond the attrition year in this case, and of course the number of employees, payroll expenses, and employee benefit expenses determined by the Authority in this case in determining fair and reasonable rates could impact the number of employees at TAWC.

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**Exhibit No. UWUA-4**

**PUBLIC VERSION  
CONFIDENTIAL INFORMATION REDACTED**

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**Exhibit No. UWUA-5**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness:**         **John Watson**

**Question:**

6.       With reference to the direct testimony of witness John S. Watson, at page 21, lines 12-13, please state the number of employees employed by TAWC “directly in its daily operations”: (a) currently (i.e., as of November 1); (b) as of May 1, 2010; (c) during 2008; and (d) 2009.

**Response:**

The Company objects to this question on the grounds that it is overly broad and seeks information not reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, the table below shows the number of TAWC employees at the requested points in time and without reference to the status of the bargaining unit bidding process or the use of temporary employees or deploying overtime to compensate for the vacancies.

November 1, 2010 – 103

May 1, 2010 - 103

December 31, 2009 - 105

December 31, 2008 - 107

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**Exhibit No. UWUA-6**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson**

**Question:**

10. With reference to the direct testimony of witness John S. Watson, at page 21, lines 14-17, assuming the Company's proposed 110 employee complement is approved, please provide the Company's estimates of when each of the seven (7) additional positions will be filled, and state fully the basis for each estimate.

**Response:**

With respect to the additional seven positions referenced in John Watson's testimony see below.

1. 1 Truck Driver – position is vacant due to a heavy equipment operator moving to a different open position in August. This vacancy is going through the bidding process is completed at which time the Company will begin the hiring process for the ending vacant position.
2. 1 Truck Driver – vacant due to a retirement in May. This vacancy is going through the bidding process and the Company will begin the hiring process once the fall-out bidding process is complete.
3. 1 Truck Driver - vacant due to a retirement in July. This vacancy is going through the bidding process and the Company will begin the hiring process once the fall-out bidding process is complete.
4. 1 On/Off position (FSR) – vacant due to retirement in March 2010. This vacancy is going through the bidding process and the Company will begin the hiring process once the fall-out bidding process is complete.
5. 1 On/Off position (FSR) – position was newly reinstated in July to meet current workload requirements. This vacancy is going through the bidding process and



the Company will begin the hiring process once the fall-out bidding process is complete.

6. 1 Laborer/Relief Process Tech-Apprentice – new position authorized in July 2010. This job has been offered to a candidate and will be hired once background check is complete.
7. 1 Master Maintenance Mechanic – vacant due to retirement in August 2010. This vacancy is going through the bidding process and the Company will begin the hiring process once the fall-out bidding process is complete.

The Company expects to have these positions filled by the end of the year.

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**Exhibit No. UWUA-7**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson**

**Question:**

7. With reference to the direct testimony of witness John S. Watson, at page 21, lines 12-17, please provide all documents that concern, relate to or otherwise address the Company's request "to recover fully loaded labor and labor-related expenses for 110 full-time employees in this rate request[.]" including any documents that address (a) the impact of the additional hiring on the ability of the Company to meet the day-to-day service needs of its customers, or (b) consideration by the Company of seeking authorization to hire more or less than the seven (7) additional hires sought in Mr. Watson's presentation.

**Response:**

The Company objects to the question as being overly broad and unduly burdensome. Without waiving these objections, the Company has no additional documents responsive to the request for 110 full-time employees other than what has already been filed in this case or what has already been filed in discovery supporting this position. The Company has assessed its current operation and believes the compliment of 110 full time positions requested in this case is necessary to: i) carry out its public service obligation, ii) meet customer demands for customer service, water quality and iii) carry out the administrative functions of the Company. That determination has been made through discussion with Mr. Watson and the management staff of TAWC and been authorized by the Company's Board of Directors.

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**Exhibit No. UWUA-8**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson/Michael A. Miller**

**Question:**

9. With reference to the direct testimony of witness John S. Watson, at page 21, lines 14-17, Mr. Watson states that each of the 110 employees is "directly and integrally involved in the provision of water service to the customers of TAWC." Please describe the impacts on the provision of "water service to the customers of TAWC" that have been experienced as a result of the Company's failure to fill the 109 positions "granted by" the Authority in Docket 08-00039, and provide all documents that concern or relate to such impacts.

**Response:**

The Company objects to this request on the grounds that it is vague and ambiguous and unduly burdensome. The Company further objects to this request because it seeks information that is not relevant nor likely to lead to the discovery of admissible evidence. Without waiving these objections, the Company has, at times, operated with less than the 109 employees due to employee retirements and cost constraints. Despite not continuously employing the full number of employees allotted, the Company has continued to provide adequate service levels given the revenues available from the 2008 rate case. In order to maintain an appropriate level of service going forward, the Company needs 110 full-time employees and an appropriate rate of return to be able to employ this level of employees. The Company has no additional documents responsive to this question other than what has already been filed in this case or what has already been filed in discovery.

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**Exhibit No. UWUA-9**

**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson**

**Question:**

15. With reference to the direct testimony of witness John S. Watson, at page 23; lines 1-2, please provide (a) each "review" of the appropriate level of employees that has been conducted by or for TAWC during the past three years; and (b) all documents that concern or relate to each such review.

**Response:**

The Company objects to this question on the grounds that the question is overly broad and unduly burdensome, and mischaracterizes the quoted testimony. Without waiving these objections, the Company's management has the right by the bargaining unit agreement to establish the level and mix of employees needed to run the business and meet the public service obligation that comes with operating as a regulated utility. The Company has provided information to the UWUA in response to these discovery requests to address the employee levels and vacancies in prior periods. The Company's requested employee level of 110 employees in this case has been supported by significant amounts of testimony and working papers filed with the TRA and provided to the intervenors in this case. The process which the Company went through to determine the 110 employee level in this case is the same process the Company goes through each year in determining the appropriate level and mix of employees needed to meet its business needs and provide adequate service. The Company has no additional documents responsive to this request other than what has already been filed in this case or what has already been filed in discovery.

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**Exhibit No. UWUA-10**



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST DISCOVERY REQUEST OF THE  
UTILITY WORKERS UNION OF AMERICA,  
AFL-CIO AND UWUA LOCAL 121**

**Responsible Witness: John Watson**

**Question:**

18. With reference to the direct testimony of witness John S. Watson, at page 23, lines 6-9, please (a) identify which seven (7) positions are currently vacant, (b) state how long they have been vacant, (c) explain why the filling of these positions is “necessary for TAWC to meet the day-to-day service needs of our customers” and (d) state the “day-to-day service needs” of customers that are not currently being met as a result of these vacancies.

**Response:**

The Company objects on the grounds that the question mischaracterizes the facts of the case and is argumentative. Without waiving these objections, see the response to UWUA-01-Q10 and the Company’s responses to the UWUA’s other discovery requests. In addition, with respect to subpart (c), please see the Company’s pre-filed testimony and supporting documents.

**December 8, 2010 Supplemental Response:**

- (c) There are long term maintenance issues the Company is not able to address in a manner that would be more efficient and cost effective in the long run due to the shortage of funding. Examples of long term maintenance issues include: 1) valve operation and maintenance, 2) cross connection programs, and 3) enhanced addressing of main breaks.
- (d) All service needs are being adequately addressed on a short term basis through the use of currently existing employees, through the use of overtime, and in some instances through the redistribution of employees to meet immediate service needs.

The Company's efforts to adequately address service needs in the short term, however, will not work over the long term. The Company cannot continue to adequately address service needs on a long term basis without obtaining the appropriate staffing levels that have been proposed in this rate case.

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**Exhibit No. UWUA-11**

### STATEMENT OF JERRY HADDOCK


1. My name is Jerry Haddock. My address is 316 Jeanne Lane, Hixson, Tenn. 37343.
2. I was employed at Tennessee American Water Company ("TAWC") from August 1987 until November 30, 2010, when I retired.
3. During my employment, I was in management for 17 years, working as a computer network administrator. My recollection is that this position was terminated in roughly December 2004. At that point, I was given the opportunity to join the workforce as a member of the Distribution Department. I then became a member of UWUA Local 121. I was in the Distribution Department until my retirement.
4. While in the Distribution Department, I was assigned to the "valve truck." My job responsibilities included program maintenance on valves and operating valves on main breaks. My primary function was program maintenance.
5. I was assigned almost exclusively to the valve truck for the last 1-2 years of my employment with the Company. In the last year, I was assisted in this work by a second, "valve trailer," which was operated by another TAWC employee. Until that time, I was the only person involved in valve maintenance work.
6. Every year, our valve maintenance mandate (which I believe was set by the Company) was to inspect and operate at least 50% of the "large" valves, which are valves measured at 16" and above. My recollection is that there are something on the order of 400-450 such valves in the TAWC system, meaning that my annual target was roughly 200-225 large valves (or a little higher). Completing this task took a few months.
7. In addition, there are thousands of smaller valves, for which I had inspection and operation responsibilities. My recollection is that I conducted smaller valve inspection

and operation on roughly 20 percent of these valves each year, which is something on the order of 2000 (out of 10,000) valves.

8. I would fill out a "valve report" on every valve that I inspected and operated. If the valve did not function properly, I noted that on the report.
9. During the conduct of my valve inspections in 2009, I recall something on the order of 30 instances in which I encountered large valves that were not operating. My review revealed that some of these valves had not been functional for several years.
10. I would make reports to the Company about valves that were in need of repair, but repairs were often not made. While I am uncertain of the exact reason why these valves were in a state of disrepair for many years, I can state that the Company was aware of the issues. My sense is that the repairs had not been completed because of a combination of lack of manpower and funds.
11. There were instances in which employees, including me, spent hours turning valves in an effort to locate a valve that would operate and shut off the water so that we could work on a main repair.
12. I recall an instance in the winter of 2009, in which I was part of a crew that was working on a leak in a 2 and one-half inch main on Lakeview Drive in the TAWC service territory. In that instance, we turned something on the order of 40 to 45 valves, trying to locate an operating valve that would shut the water and allow us to work on the leak. We were not able to locate an operating valve and, eventually, the repair was made under pressure. It is much more difficult to complete such repairs when the work is being done under pressure. I note that this type of situation was not atypical. There were frequent situations in which we performed maintenance where the water pressure was either

reduced but not turned off (or not reduced at all) because of the failure to locate an operating valve.

I swear and affirm that this statement is true to the best of my knowledge.



Jerry Haddock

# Fax

<b>To:</b>	<b>Scott H. Strauss</b>	<b>From:</b>	Jerry Haddock
<b>Fax:</b>	<b>202.879.4035</b>	<b>Pages:</b>	4 Pages Including Cover
<b>Phone:</b>	<b>202.393.2866</b>	<b>Date:</b>	1/4/2011
<b>Re:</b>	Statement	<b>CC:</b>	

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**Exhibit No. UWUA-12**



**TENNESSEE AMERICAN WATER COMPANY  
DOCKET NO. 10-00189  
FIRST SET OF DATA REQUESTS OF THE  
CHATTANOOGA MANUFACTURERS ASSOCIATION**

**Responsible Witness:**      **John Watson**

**Question:**

20. Please provide the annual total overtime hours, expense and capital amount for the test year and each of the preceding five years.

**Response:**

**Tennessee American Water Company  
Data Request CMA 1-20  
OT Expense & Capital Amounts**

	2005	2006	2007	2008	2009	Test Year Ended 3/31/10
Capital	\$18,917.34	\$48,923.15	\$69,436.09	\$28,624.00	\$19,816.74	\$18,086.12
O&M	\$173,138.80	\$160,616.88	\$181,476.18	\$174,760.45	\$124,177.24	\$175,949.81
<b>Total</b>	<b>\$192,056.14</b>	<b>\$209,540.03</b>	<b>\$250,912.27</b>	<b>\$203,384.45</b>	<b>\$143,993.98</b>	<b>\$194,035.93</b>

	Total OT Hours
2005	5,746.25
2006	6,222.75
2007	7,198.50
2008	4,769.75
2009	3,830.50
<b>Test Yr Ended 3/10</b>	<b>4,848.50</b>