

PETITIONER'S EXHIBIT LCB-1

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 14-00121

REBUTTAL TESTIMONY

OF

LINDA C. BRIDWELL

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER**

1 **Q. PLEASE STATE YOUR NAME.**

2 A. My name is Linda C. Bridwell.

3 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?**

4 A. Yes. I submitted pre-filed direct testimony in this case on October 29, 2014, on behalf
5 Tennessee-American Water Company (the "Company" or "TAWC").

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

7 A. The purpose of my rebuttal testimony is to address statements made by Mr. Nick
8 Wilkinson and Mr. Lee Norris, two witnesses for the City of Chattanooga.

9 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT TAWC DID**
10 **NOT ACT IN GOOD FAITH WITH RESPECT TO THE NOVEMBER 25, 2013**
11 **LETTER?**

12 A. No, I do not.

13 **Q. MR. WILKINSON ASSERTS THAT TAWC DID NOT PROVIDE THE CITY OF**
14 **CHATTANOOGA WITH A COPY OF THE 2014 INVESTMENT PLAN PRIOR**
15 **TO JANUARY 1. IS THAT YOUR UNDERSTANDING?**

16 A. No. The 2014 Investment Plan was a part of the original Petition filing in Tennessee
17 Regulatory Authority ("TRA" or "Authority") Docket No. 13-00130. Although we were
18 not under any obligation to do so, in the spirit of cooperation we provided a copy of the
19 Petition to the City of Chattanooga at the same time the Petition was submitted to the
20 TRA in TRA Docket No. 13-00130. The Petition was filed with the TRA on October 4,
21 2013. That date is prior to the discussions mentioned in the November 6, 2013 letter
22 attached to Mr. Wilkinson's testimony.

1 Further, because the November 25, 2013 letter was signed after the Petition was
2 filed in TRA Docket No. 13-00130 and prior to the approval of the tariffs in Docket No.
3 13-00130 by the TRA on April 14, 2014, TAWC was under the impression that the
4 annual investment plan provided to the City of Chattanooga on October 4, 2013 was
5 sufficient. To my knowledge, no one from TAWC received any indication from a
6 representative of the City of Chattanooga that the 2014 Investment Plan was expected
7 through an additional communication, or that any additional details were needed.

8 **Q. DID TAWC PROVIDE QUARTERLY REPORTS TO THE CITY OF**
9 **CHATTANOOGA?**

10 A. Yes. TAWC provided the first quarterly report in a meeting on July 18, 2014. The report
11 was prepared under my direction, and I asked for a face-to-face meeting with City of
12 Chattanooga representatives in order to provide the report, to provide any necessary
13 clarifications or explanations of the information, and to review the report with City of
14 Chattanooga representatives. I thought this approach would assist in determining if any
15 additional information would help the City of Chattanooga understand TAWC's progress
16 on the expenditures permitted under the three capital riders approved by the Authority. I
17 did not receive any additional comments or questions after the July 18 meeting.

18 A second quarterly report was provided to City of Chattanooga representatives on
19 September 8, 2014. Again, I specifically offered to provide clarifications or explanations
20 of the information, and to review the report with City of Chattanooga representatives, in
21 part to determine if any additional information would be helpful to the City of
22 Chattanooga. The only feedback I received was a general comment that it might be
23 helpful to revisit the format and substance of the report. In a good faith attempt to

1 respond to this general comment, TAWC reworked the form and substance of the report.
2 The aim was to simplify the report, while continuing to provide the relevant information
3 consistent with the November 25, 2013 letter. TAWC provided the reworked and more
4 user-friendly third quarter report on January 23, 2015. Again, to the best of my
5 knowledge, we did not receive any questions, requests for clarifications or request for
6 additional information related to the third quarter report.

7 **Q. WERE THE ABOVE REFERENCED QUARTERLY REPORTS PREPARED**
8 **FOR THE TRA, AS MR. WILKINSON MAINTAINS?**

9 A. No, they were not. These reports were developed and prepared solely for the City of
10 Chattanooga. In producing and providing the reports, TAWC was attempting to be
11 cooperative with the City of Chattanooga.

12 **Q. WHAT WAS THE RATIONALE FOR THE FORMAT OF THE QUARTERLY**
13 **REPORTS?**

14 A. TAWC was attempting to provide the information to the City of Chattanooga consistent
15 with the November 25, 2013 letter. Knowing that TAWC would have to prepare a
16 reconciliation of the 2014 expenditures for the TRA at the end of the review period as
17 required by the tariffs approved in TRA Docket No. 13-00130, TAWC prepared the
18 informal quarterly reports in a manner so that the information could flow easily into a
19 reconciliation for the TRA. Employing this approach would avoid a duplicative effort at
20 the end of the year.

1 **Q. DID TAWC PROVIDE THE ABOVE QUARTERLY REPORTS FOR THE CITY**
2 **OF CHATTANOOGA TO THE TRA?**

3 A. Yes. At the request of the TRA and the Tennessee Attorney General Consumer Advocate
4 and Protection Division ("CAPD") in September 2014, TAWC provided copies of the
5 first and second quarterly reports that had been sent to the City of Chattanooga to both
6 the TRA and the CAPD.

7 **Q. DID TAWC PROVIDE THE CITY OF CHATTANOOGA A FOURTH QUARTER**
8 **REPORT?**

9 A. Yes. In February 2015, TAWC received more specific feedback that the City of
10 Chattanooga desired a comparison of capital expenditures as part of the quarterly reports.
11 TAWC subsequently reworked the format of the quarterly report again and provided the
12 City of Chattanooga with a comparison of capital expenditures in 2014 by an investment
13 line item to the plan amounts for each investment line item for the fourth quarter.

14 **Q. DID TAWC PROVIDE A COPY OF ITS 2015 INVESTMENT PLAN TO THE**
15 **CITY OF CHATTANOOGA?**

16 A. Yes. On October 22, 2014, TAWC had a discussion with City officials regarding
17 upcoming projects, including the 2015 investment plan, and established a series of
18 quarterly meetings to address specific quarterly changes. The first quarterly meeting was
19 held on December 10, 2014.

20 **Q. DID TAWC UNDERTAKE THE COOPERATIVE DIALOGUE REFERENCED**
21 **IN THE NOVEMBER 25, 2013 LETTER?**

22 A. Yes. TAWC remains committed to an effort to communicate openly and often with the
23 City of Chattanooga regarding capital expenditures within the entire area TAWC serves,

1 and specifically within the City of Chattanooga. As the General Assembly's passage of
2 Tenn. Code Ann. § 65-5-103 *et seq.* and the TRA-approved tariffs in TRA Docket No.
3 13-00130 are fairly new, so too are the Company's and the City's efforts to exchange
4 information and to have ongoing dialogue with respect to the TRA-approved tariffs.
5 TAWC anticipated that this first year might require changes and adjustments to the
6 information provided to the City of Chattanooga, both in format, and in substance.

7 **Q. WOULD TAWC HAVE WORKED TO MODIFY THE REPORTS EARLIER**
8 **HAD THE CITY INDICATED CONCERNS WITH THE REPORTS?**

9 A. Absolutely. As evidenced by the changes we made after receipt of the general comments
10 from the City of Chattanooga, TAWC undertook three iterations of the quarterly report
11 just in this first year in attempt to provide relevant, user-friendly information to the City.

12 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT TAWC DID**
13 **NOT PROVIDE ADVANCE NOTICE OF OR COORDINATE WITH THE CITY**
14 **CONCERNING EXPENDITURES FOR METERS, SERVICES, VALVES,**
15 **HYDRANTS?**

16 A. No, I do not. The annual recurring investment amounts in 2014 for meters, services,
17 valves and hydrants, as well as the amount of actual 2014 expenditures under the
18 NARUC accounts for meters, services, valves, and hydrants under the Economic
19 Development Investment rider, was included in the quarterly reports provided to the City
20 of Chattanooga. There are existing processes in place for TAWC to work with different
21 divisions of the City of Chattanooga administration regarding new services, new meters,
22 new valves and hydrants, in addition to the information in the annual investment plan and
23 the quarterly reports. In light of the concerns raised by the City of Chattanooga, we will

1 have to work to provide information in a manner that doesn't have unintended
2 consequences to existing processes and doesn't result in undue administrative burden or
3 delay for new customers.

4 **Q. WHY DOES TAWC MAINTAIN THE NEW SERVICES, NEW METERS, NEW**
5 **VALVES AND HYDRANTS ARE AN APPROPRIATE COMPONENT OF THE**
6 **ECONOMIC DEVELOPMENT INVESTMENT RIDER?**

7 A. These types of investments are important to the economic development of the
8 community. New meters and new services are driven specifically from the requests by
9 new or expanding companies or new residences, or from relocating companies or
10 residents into new areas being developed within the city. These new meters and new
11 services foster economic development by creating jobs, providing new residents, and
12 increasing taxes paid to the local government. Further, the development of new services
13 and meters is bringing jobs into the community through the construction jobs and
14 revenues from additional taxes paid during construction. New valves and hydrants are
15 used to foster economic development by providing more reliable water service, new fire
16 protection or enhancing fire protection in currently served areas. Improved infrastructure
17 in existing older service areas, including fire protection, is a key to redevelopment in
18 economic growth. In addition, TAWC is currently working with the City of Chattanooga
19 Fire Department to identify locations for new hydrants that the department believes will
20 assist them in responding to emergencies.

21 **Q. SHOULD THE TRA REQUIRE CERTIFICATION BY TAWC THAT THE**
22 **OPERATIONAL EXPENSES OR CAPITAL COSTS SOUGHT TO BE**
23 **RECOVERED UNDER THE ECONOMIC DEVELOPMENT INVESTMENT**

1 **RIDER WILL FUND INFRASTRUCTURE THAT WILL DIRECTLY PROVIDE**
2 **OPPORTUNITIES FOR ECONOMIC DEVELOPMENT BENEFITS IN THE ARE**
3 **TO BE DIRECTLY SERVED BY THE INFRASTRUCTURE?**

4 A. No, it should not. To attempt to quantify specific and direct economic benefits for any
5 specific investment is a subjective process that will potentially provide significant
6 additional expense on all of the parties involved. New residents, new businesses,
7 expanded businesses, new taxes, enhanced services are all components of fostering
8 economic development and the investments included under the Economic Development
9 Investment Rider as approved by the TRA in Docket No. 13-00130 help to provide those
10 components.

11 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT TAWC DID**
12 **NOT PROVIDE ADVANCE NOTICE OF OR COORDINATE WITH THE CITY**
13 **CONCERNING ITS INTENT TO PURCHASE ALTERNATIVE FUEL**
14 **VEHICLES AS AN ECONOMIC DEVELOPMENT EXPENDITURE?**

15 A. No, I do not. The annual recurring investment amounts in 2014 for the purchase of
16 alternative fuel vehicles was included in the Petition filed in TRA Docket No. 13-00130,
17 and provided to the City of Chattanooga in a courtesy copy of that filing on October 4,
18 2013.

19 **Q. DO YOU BELIEVE IT IS APPROPRIATE TO INCLUDE THE PURCHASE OF**
20 **ALTERNATIVE FUEL VEHICLES AS PART OF THE ECONOMIC**
21 **DEVELOPMENT INVESTMENT RIDERS?**

22 A. Yes I do. The purchase of new vehicles and equipment that utilize alternative fuel is an
23 expansion of infrastructure that is associated with alternative motor vehicle transportation

1 fuel, and recovery of those investments is specifically allowed under the statute. TAWC
2 is attempting to make prudent investments for the benefit of its customers while
3 supporting the expansion of alternative motor vehicle transportation fuel. The inclusion
4 of this investment in the tariff, as approved by the TRA in Docket No. 13-00130 after
5 careful consideration, is appropriate and consistent with the new legislation authorizing
6 alternative rate mechanisms.

7 **Q. SHOULD TAWC PROVIDE CERTIFICATION TO THE TRA THAT**
8 **OPERATIONAL EXPENSES OR CAPITAL COSTS SOUGHT TO BE**
9 **RECOVERED UNDER THE APPROVED TARIFF ARE NOT FOR VEHICLES**
10 **FUELED BY ALTERNATIVE FUELS?**

11 A. This certification is not necessary. As I stated above, the investment in alternative fuel
12 vehicles is exactly infrastructure and equipment associated with alternative motor vehicle
13 transportation fuel. This certification would exclude infrastructure and equipment that is
14 specifically included in the legislation.

15 **Q. IS IT THE COMPANY'S POSITION THAT CERTAIN ENVIROMENTAL**
16 **COMPONENTS ARE APPROPRIATELY INCLUDED IN THE SAFETY AND**
17 **ENVIRONMENTAL COMPLIANCE RIDER FOR THE PURPOSE OF**
18 **ENVIRONMENTAL COMPLIANCE?**

19 A. Yes, it is. TAWC is a regulated utility that is totally different from electric, gas, or
20 telecommunication utilities due to the fact that TAWC sells a commodity that is ingested
21 by its consumers. TAWC takes that responsibility very seriously. As addressed in more
22 detail by TAWC Witness Brent O'Neill, water utilities are required to meet many state
23 and federal requirements to ensure that the water provided to its consumers is safe to

1 drink. Having said that, environmental compliance investments that are specifically
2 required for the safety of drinking water, including the protection of community water
3 resources, are specifically related to the safety and health of the public, and therefore in
4 the public interest.

5 **Q. SHOULD THE TRA REQUIRE ADDITIONAL CERTIFICATION THAT**
6 **OPERATIONAL EXPENSES OR INVESTMENTS SOUGHT TO BE**
7 **RECOVERED WERE FOR ENVIRONMENTAL COMPLIANCE ACTIONS**
8 **THAT WERE ACTUALLY MANDATED BY SAFETY REQUIREMENTS**
9 **IMPOSED UPON THE UTILITY BY THE STATE OR FEDERAL**
10 **GOVERNMENT?**

11 A. No, it should not. As TAWC has explained in the rebuttal testimony of Mr. Brent
12 O'Neill, and in response to discovery request Item 36 of the City of Chattanooga, TAW
13 is subject to the drinking water regulations for contaminants that may pose health risks
14 and that are likely to be present in public water supplies. Investments in the treatment
15 process are made to comply with the state and federal requirements to provide safe
16 drinking water to the public. TAWC has provided to the TRA as part of the
17 reconciliation process, and would expect to provide any clarifying information regarding
18 the need for any investment item made under the capital riders. Additional certification
19 that the investment was specifically mandated by safety requirements is unnecessary.

1 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT EVIDENCE**
2 **IN PRIOR RATE CASES SHOWED TAWC WAS REPEATEDLY REQUESTING**
3 **RECOVERY FOR THE SAME CAPITAL EXPENDITURES IN SUCCESSIVE**
4 **RATE CASES?**

5 **A.** No, I do not. In response to the City of Chattanooga's Data Requests Numbers 1, 3 and 6
6 in this case, TAWC identified two projects that had been partially included in the capital
7 expenditures in TRA rate case Docket Nos. 10-00189 and 12-00049. In order to ensure
8 that the most cost effective, appropriate projects were moving forward to construction,
9 those two projects have been delayed, reworked and are currently being implemented. In
10 TAWC's capital planning, as projects are delayed for a host of justifiable reasons, other
11 projects that are necessary and appropriate may be moved forward. TAWC, like many
12 water and wastewater utilities, has many more needs for capital investments than can
13 prudently be made in any given year, and prioritizes projects based on a number of
14 factors.

15 In Docket No. 13-00130, the TRA asked TAWC in discovery request Item 2 and
16 Item 27 for evidence that capital additions in the Docket had not already been included in
17 rate base from Docket No. 12-00049. TAWC responded that rate base was \$2 million
18 higher than the authorized amount in Docket No. 12-00049.

19 Without citing exhaustive details of prior rate cases, TAWC has repeatedly filed
20 rate cases with significantly higher levels of rate base than authorized in the previous
21 case. In other words, TAWC has proposed capital expenditures and rate base additions,
22 the TRA has approved them, and then TAWC has made more rate base additions than it
23 previously was authorized before coming back in for the next rate case. This

1 demonstrates that TAWC has consistently implemented its proposed capital plans and
2 then additional amounts prior to the next case. This does not provide evidence that
3 TAWC was somehow repeatedly requesting recovery for the same capital expenditures in
4 successive rate cases. To the contrary, this demonstrates that TAWC acts in a manner to
5 invest in and improve its infrastructure to the benefit of TAWC, its customers and the
6 communities it serves.

7 **Q. IS THERE ANY PARTICULAR CASE THAT DID NOT FOLLOW THE**
8 **PATTERN OF SIGNIFICANTLY HIGHER RATE BASE ADDITIONS PRIOR**
9 **TO FILING THE NEXT RATE CASE PETITION?**

10 A. Yes. Docket No. 10-00189 was filed with higher rate base additions than the previous
11 case (Docket No. 08-00039); however, the authorized rate base amount approved in
12 Docket No. 10-00189 was slightly less than the rate base approved in Docket No. 08-
13 00039. TAWC respects the concerns of the City of Chattanooga that may have arisen
14 during the 2010 case; however, Mr. Wilkinson is incorrect to contend that evidence in
15 prior rate cases showed TAWC repeatedly requested recovery for the same capital
16 expenditures in successive rate cases.

17 **Q. SHOULD THE TRA HAVE CONCERNS THAT TAWC HAS INCLUDED OR**
18 **WILL INCLUDE INVESTMENTS THAT WERE SPECIFICALLY NAMED**
19 **UNDER A PREVIOUS RATE CASE OR A PREVIOUS ALTERNATIVE**
20 **REGULATORY METHOD PROCEEDING?**

21 A. No, they should not. Capital planning requires some level of flexibility to ensure that the
22 utility is making the most prudent, cost effective capital investments for the benefit of the
23 customers. The Citico 1B project was delayed once it was determined that the proposed

1 design would potentially shut down the entire water treatment plant process for an
2 extended period. The design had to be re-worked or a different solution had to be
3 developed. Moving forward with capital expenditures that put the water supply for the
4 entire service area at risk would be inappropriate. The wastewater improvement project
5 was included only in Construction Work in Progress in one prior docket, and was not
6 projected to be in service during the attrition period of that docket. The delay in the
7 project has been an appropriate step to determine fully that the most appropriate project is
8 implemented on behalf of the customers. Investment Item B projects listed in Docket No.
9 13-00130 were intended to only be an estimate of anticipated projects, as the capital
10 expenditures for Item B may change during any given year due to unanticipated needs
11 that come up from discovered leaks, water quality concerns, or projects in conjunction
12 with municipal road work. That listing of projects under Investment Item B in Docket
13 No. 13-00130, as well as in this docket is not intended to be an exact, specific listing of
14 replacement projects. TAWC has provided a detailed listing of the investment
15 expenditures as part of the reconciliation of the capital riders and has carefully removed
16 projects that were outside of the review period. TAWC would expect more detailed
17 explanation to be required if the level of overall rate base additions requested were less
18 than what had been authorized in a prior proceeding.

1 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT EVIDENCE**
2 **IN PRIOR TAWC RATE CASES SHOWED THAT TAWC WAS MAKING**
3 **INVESTMENTS THAT PROVIDED LITTLE OR NO BENEFIT TO ITS**
4 **EXISTING CUSTOMERS?**

5 A. No, I do not. Without citing extensive details of prior rate cases, if I understand the City
6 of Chattanooga's contention on this issue, they are concerned with expenditures made in
7 prior rate cases for supplying wholesale water, acquiring systems, and providing
8 operational contracts. TAWC has wholesale water agreements, operational agreements,
9 and has acquired other water systems. Those agreements, along with the rates and capital
10 investments, have been included in multiple past rate cases except for the most recent
11 acquisition. To my knowledge, the TRA has thoroughly reviewed those agreements,
12 rates and capital investments as part of the decisions in those cases. The most recent
13 acquisition of the water system of the City of Whitwell was considered in Docket No. 12-
14 00157. The acquisition was approved by the TRA after extensive discovery and a
15 hearing in that case. I might also note that the addition of the Whitwell acquisition did
16 not impact the bill for accounts located within the City of Chattanooga boundaries in any
17 way.

18 **Q. ARE THERE BENEFITS PROVIDED TO EXISTING CUSTOMERS WITH**
19 **INVESTMENTS FOR WHOLESALE WATER AGREEMENTS, OPERATIONAL**
20 **AGREEMENTS, AND ACQUISITIONS?**

21 A. Yes. There are benefits to existing customers that Mr. Wilkinson is choosing not to
22 consider. To the extent that additional water sales provide operational efficiencies and
23 economies of scale, TAWC existing customers receive a benefit, and prudent, cost

1 effective wholesale agreements, operational agreements, and acquisitions by TAWC
2 should continue. In other words, adding customers through any form, made with
3 reasonable and appropriate levels of investment and operational expenses is a benefit to
4 existing customers. The TRA is keenly aware of such benefits, as evidenced by its
5 approval, where required, of such agreements and acquisitions.

6 **Q. DO YOU AGREE WITH MR. WILKINSON'S CONTENTION THAT EVIDENCE**
7 **IN PRIOR TAWC RATE CASES RAISED CONCERNS ABOUT TAWC'S**
8 **INVESTMENT PRIORITIES?**

9 A. No, I do not. Inoperable valves and unaccounted for water percentages above 15% are
10 symptoms of the overall aging infrastructure in TAWC's service area that TAWC is
11 exactly trying to address with the Qualified Infrastructure Investment Program. As is true
12 with many water service and wastewater providers in Tennessee and nationwide,
13 TAWC's infrastructure is in substantial part nearing the end of its life expectancy and
14 must be replaced in order to insure the reliability of the public utility plant. TAWC has
15 an obligation to provide safe, adequate and reliable service, and the quality of the service
16 it provides is dependent, in part, upon the ongoing replacement of this aging
17 infrastructure. However, the cost of infrastructure replacement is substantial, and if
18 TAWC must not only advance the cost of the investment, which incrementally has
19 increased significantly over the years, but also to bear the burden of the associated
20 carrying costs of depreciation and interest while waiting for a Base Rate case filing and
21 the completion of such case to be able to recover these necessary costs, it simply will not
22 have the opportunity to achieve the rate of return set by the TRA. In 2013, the American
23 Society of Civil Engineers ("ASCE") published a report entitled, "2013 Report Card for

America's Infrastructure," in which it graded the nation's water infrastructure at a 'D' level, or poor. In its report, the ASCE identifies a shortfall of \$13 billion of investment each year to replace aging infrastructure and maintain reliable and safe drinking water systems. In its Fifth Report to Congress, published in April 2013 (the "2013 EPA Report"), United States Environmental Protection Agency ("USEPA") presented the results of its fourth Drinking Water Infrastructure Needs Survey and Assessment. In the 2013 EPA Report, the USEPA estimated that \$384.2 billion (in 2011 dollars) would be needed nationwide to replace aging drinking water infrastructure and comply with regulatory requirements over the next 20 years. The 2013 EPA Report indicates that \$2.7 billion of investment is needed for the State of Tennessee over the next 20 years for replacement of aging infrastructure and other regulatory costs. A substantial portion of TAWC's distribution infrastructure is between 50 and 100 years old and is nearing the end of its useful service life. The pace of infrastructure replacement is an increasing concern for TAWC. The anticipated level of distribution infrastructure improvement projects is increasing at a rapid pace, in part due to the advanced age of the Company's water facilities. To suggest that this is merely a concern with investment priorities misrepresents the issue. The Qualified Infrastructure Investment Program allows TAWC to increase infrastructure investment while reducing the costs of rate case expense and implement smaller, gradual rate increases to fund those investments. TAWC believes this alternative rate mechanism is a benefit to the customer and at the very heart of the legislation authorizing alternative rate mechanisms in Tennessee.

Q. DO YOU BELIEVE THAT TAWC DID NOT FULFILL ITS OBLIGATIONS IN THE NOVEMBER 25, 2013 LETTER WITH THE CITY OF CHATTANOOGA

1 **TO PROVIDE INFORMATION REGARDING THE ANNUAL INVESTMENT**
2 **PLAN AND QUARTERLY REPORTS?**

3 A. No, I do not. TAWC respects the concerns raised by the City of Chattanooga with regard
4 to the Petition, and TAWC values the cooperative working relationship that has been
5 built with the City of Chattanooga. However, TAWC believed it was fulfilling the
6 commitments for communication and repeatedly expressed a willingness to answer
7 questions, provide more information, or provide different information. TAWC has not
8 attempted to provide an exhaustive list of all of the discussions and communications that
9 it had during 2014 with representatives of the City of Chattanooga. But in the fourth
10 quarter of 2014 and continuing into 2015, TAWC has met with the City of Chattanooga
11 specifically in an effort to improve communications.

12 As the Company's and the City's efforts to exchange information and to have
13 ongoing dialogue with respect to the alternative mechanisms approved in TRA Docket
14 No. 13-00130 are relatively new, growing pains were likely to evolve. If the purposes of
15 the November 25, 2013 letter have not yet reached their full potential, and the exchange
16 of information and ongoing dialogue have not met expectations, TAWC believes that the
17 responsibility lies with both TAWC and the City, and TAWC is committed to working
18 with the City of Chattanooga to improve upon the exchange of information and dialogue.

1 **Q. DO YOU BELIEVE THE QUALIFIED INFRASTRUCTURE IMPROVEMENT**
2 **PROGRAM RIDER, THE ECONOMIC DEVELOPMENT RIDER, AND THE**
3 **SAFETY RIDER AS APPROVED BY THE TRA IN DOCKET NO. 13-00130 ARE**
4 **STILL IN THE PUBLIC INTEREST?**

5 A. Yes I do. The City of Chattanooga has clearly indicated that the communications
6 between TAWC and the City of Chattanooga have not been as successful in this first year
7 as both TAWC and the City of Chattanooga had expected. That in no way diminishes the
8 public interest of the capital riders as alternative rate mechanism that provide customers
9 with better water quality, better water service, enhancements for economic development,
10 improvements for safety and environmental compliance and replacement of critical
11 infrastructure with gradual rate increases and reduced costs for rate proceedings for all
12 stakeholders. The goal of the new legislation is to support economic development, to
13 encourage capital investment, to promote public safety, and to streamline utility
14 regulation. All of these are a benefit to the utility customer, and our tariffs as approved in
15 Docket No. 13-00130 are consistent with the new legislation. The alternative rate
16 mechanisms as approved in Docket No. 13-00130 were approved after thoughtful
17 consideration and extensive review by the TRA, along with significant input from the
18 CAPD. As evidenced by the Petition, and its supporting documentation, the proposed
19 adjustments of the alternative rate mechanisms for consideration in this Docket comply
20 with the TRA's April 14, 2014, decision in TRA Docket No. 13-00130, are consistent
21 with Tenn. Code Ann. § 65-5-103 *et. seq.* and are in the public interest.

1 **Q. MS. BRIDWELL, HAS TAWC MET THE SPIRIT AND INTENT OF THE**
2 **NOVEMBER 25, 2013 LETTER?**

3 A. Yes, we have. The November 25, 2013 letter is evidence of TAWC's good faith efforts
4 and willingness to cooperate with the City of Chattanooga. As I have stated in this
5 testimony, TAWC's communications with the City of Chattanooga may not have been as
6 successful as the City wanted, and vice-versa. Every time a perceived lack of
7 communication has been raised, TAWC has made every effort to change and strive to
8 make that communication better and will continue to do so. As in any situation, effective
9 communication is indeed in the eyes of the person receiving the communication. TAWC
10 realizes this, and is continually striving to ensure that the communication received is
11 effective in the eyes of the recipient. Having said that, I firmly believe that TAWC has
12 cooperated with the City of Chattanooga as outlined in the November 25, 2013 letter.
13 TAWC looks forward to clarifying and enhancing any communications with the City of
14 Chattanooga as needed to ensure that both parties are working together effectively and
15 cooperatively.

16 **Q. SHOULD QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM RIDER,**
17 **THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE SAFETY**
18 **AND ENVIRONMENTAL COMPLIANCE RIDER BE MODIFIED AS**
19 **QUESTIONED BY THE CITY OF CHATTANOOGA?**

20 A. No, they should not be modified to remove specific items or require additional
21 certifications. The tariffs, as approved in Docket No. 13-00130 were developed under
22 careful consideration and deliberation with the TRA, the CAPD, and consistent with the
23 legislation passed by the Tennessee General Assembly. These proposed mechanisms

1 should stretch out the time between full rate case filings, thus reducing rate case expenses
2 for everyone, while allowing for a gradual increase in rates annually to recover prudently
3 incurred and necessary capital expenditures and some expenses related to those
4 expenditures. This gradual process is easier on the ratepayers, and encourages TAWC to
5 keep investing in capital construction at the necessary levels. TAWC believes the tariffs
6 should not be modified as suggested by the City of Chattanooga.

7 **Q. AFTER CAREFULLY REVIEWING THE CITY'S TESTIMONY, DO YOU**
8 **STILL RECOMMEND APPROVAL OF THE ADJUSTMENTS TO THE**
9 **QUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM, THE**
10 **ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE SAFETY AND**
11 **ENVIRONMENTAL COMPLIANCE RIDER AS TAWC HAS PROPOSED?**

12 A. Yes, I do.

13 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

14 A. Yes.