

June 26, 2015

**VIA ELECTRONIC FILING**

Hon. Herbert H. Hilliard, Chairman  
c/o Sharla Dillon  
Tennessee Regulatory Authority  
500 Deadrick Street, 4<sup>th</sup> Floor  
Nashville, TN 37242

**RE: *Petition of Tennessee American Water Company Regarding the Production Costs and Other Pass Through Rider*, TRA Docket No. 15-00001**

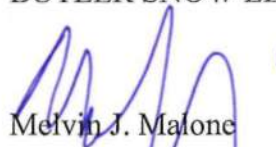
Dear Chairman Hilliard:

Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimony* in the above-referenced matter.

As required, an original of this filing, along with four (4) additional hard copies, will follow. Should you have any questions or require additional information, please do not hesitate to contact me.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachment

cc: Deron Allen, President, Tennessee-American Water Company  
Wayne Irvin, Assistant Attorney General, Consumer Advocate and Protection Division  
Vance Broemel, Assistant Attorney General, Consumer Advocate and Protection Division

**PETITIONER'S EXHIBIT LCB-1**

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

**DOCKET NO. 15-00001**

**REBUTTAL TESTIMONY**

**OF**

**LINDA C. BRIDWELL**

**ON**

**CHANGES TO THE PRODUCTION COSTS AND OTHER PASS-THROUGHS RIDER**

**SPONSORING EXHIBITS:**

**PETITIONER'S EXHIBIT – CURRENT TARIFF SHEET NO. 12 – RIDERS – LCB**  
**PETITIONER'S EXHIBIT – REVISED PROPOSED TARIFF SHEET NO. 12 – RIDERS**  
**– LCB**

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 December 30, 2014, on behalf  
5           Tennessee-American Water Company ("Tennessee American" or "TAWC").

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

7    A.     The purpose of my rebuttal testimony is to respond to and address the Pre-filed Direct  
8           Testimony of William H. Novak, witness for the Consumer Advocate and Protection  
9           Division of the Tennessee Attorney General's Office ("CAPD").

10   **Q.     DO YOU AGREE WITH MR. NOVAK'S CALCULATION OF ERRORS IN THE**  
11       **ADJUSTMENT TO THE PRODUCTION COSTS AND OTHER PASS-**  
12       **THROUGHS?**

13   A.     Yes I do.

14   **Q.     HAS TENNESSEE AMERICAN PREVIOUSLY FILED IN THIS MATTER**  
15       **UPDATED WORKPAPERS AND EXHIBITS TO REFLECT THOSE**  
16       **CORRECTIONS?**

17   A.     Yes. On February 18, 2015, Tennessee American filed a supplemental response to the  
18           First Set of Request for Information of the TRA. This supplemental response contained  
19           the above-referenced corrections.

20   **Q.     WHAT WAS THE IMPACT OF THE CORRECTIONS IN THE ADJUSTMENT**  
21       **REQUESTED BY MR. NOVAK?**

22   A.     As identified by Mr. Novak and as recognized in the supplemental response filed by  
23           Tennessee American, the proposed calculation of the PCOP surcharge rate changes from

1 -0.83% to -0.73%. This essentially means that the refund amount of the surcharge would  
2 change by -0.10% as applied to all water charges.  
3

4 **Q. HAS TENNESSEE AMERICAN FILED A REVISED TARIFF SHEET TO**  
5 **REFLECT THAT PROPOSED CHANGE?**

6 A. A revised tariff sheet reflecting this change is attached to this rebuttal testimony as  
7 Petitioner's Exhibit – Revised Proposed Tariff Sheet No. 12 – Riders – LCB. The  
8 Current Tariff Sheet No. 12 – Riders Original Sheet has not changed since my Direct  
9 Testimony was submitted and is attached to that Direct Testimony. It is also attached  
10 here as Petitioner's Exhibit – Current Tariff Sheet No. 12 – Riders – LCB.

11 **Q. ARE THERE ANY OTHER CHANGES UNDER CONSIDERATION THAT MAY**  
12 **IMPACT THE TARIFF SHEET?**

13 A. Yes. There are two pending requests for changes on the tariff sheet. The first pending  
14 change is under Docket No. 14-00121, an application for the adjustment to the three  
15 capital riders for 2015. The second pending change is under consideration in Docket No.  
16 15-00029, an application for an adjustment to the reconciliation of the three capital riders  
17 for actual expenditures and revenues collected in 2014.

18 **Q. HAS TAWC REFLECTED THOSE OTHER IMPACTS ON THE PROPOSED**  
19 **TARIFF SHEET ATTACHED TO YOUR REBUTTAL TESTIMONY?**

20 A. TAWC has reflected the pending changes to the three capital riders on the proposed tariff  
21 sheet, but not the adjustment for the reconciliation of the riders.

1   **Q.   DO YOU AGREE WITH MR. NOVAK'S IDENTIFICATION OF THE SALES**  
2       **TAX ON WATER PURCHASES AS ERRONEOUSLY PAID BY TAWC?**

3   A.   Yes. The Company was aware of this issue and has been in contact with the Tennessee  
4       Department of Revenue and is working to pursue all necessary steps to avoid payment  
5       and refund inappropriate past payments. Any necessary corrections or adjustments to this  
6       account will be reflected in future reconciliations.

7   **Q.   DO YOU AGREE WITH MR. NOVAK'S COMMENTS ON THE**  
8       **METHODOLOGY USED TO CALCULATE THE PCOP SURCHARGE?**

9   A.   Yes. While TAWC is more than willing to continue to use the methodology requested by  
10      the TRA - actual vendor invoices instead of the amounts recorded on the general ledger -  
11      during the review period, the concerns Mr. Novak raised are significant.

12   **Q.   CAN YOU EXPLAIN WHAT THE DIFFERENCE IS IN THE METHODOLOGY?**

13   A.   Certainly. Let's use a hypothetical example. During the month of May, TAWC will use  
14      power sold by the Electric Power Board of Chattanooga through a number of accounts. If  
15      the meter is read in early June, TAWC receives a bill in mid-June. TAWC will record  
16      the power bill on its accounts in general ledger as a payment in June. Even if the check is  
17      not sent until July, an accrual is set up on the general ledger in June. The accrual will  
18      reverse off in early July when the payment actually hits TAWC bank account. The TRA  
19      has asked that TAWC match the invoices not to the month they are recorded on the  
20      general ledger, but the actual month of service. Thus the PCOP reconciliation will reflect  
21      the power use amount on that bill in the month of May. Again, while TAWC is more  
22      than willing to provide the information in the format that the TRA requests, this  
23      methodology does take a considerable amount of effort and resources to reconcile by

1 TAWC, and likely takes more effort and resources to audit by the TRA and the CAPD.  
2 Tennessee American's ledger balance is independently audited, while the individual  
3 invoices are not. While the amount of the PCOP would not be expected to change,  
4 TAWC agrees with Mr. Novak that matching the ledger balances would be more  
5 appropriate

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

7 A. Yes.

TENNESSEE-AMERICAN WATER COMPANY

TRA NO. 19  
Original Sheet No. 12-Riders-1CLASSIFICATION OF SERVICESUMMARY OF RIDERS1. Applicability

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider ("SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

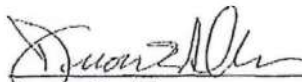
For the Riders defined in the tariffs :

QIIP	0.79 %
EDI	0.18 %
<u>SEC</u>	<u>0.11 %</u>
Subtotal of all Capital Recovery Riders	1.08 %
QIIP Annual Reconciliation Percentage	0.00 %
EDI Annual Reconciliation Percentage	0.00 %
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00 %</u>
Subtotal of all Reconciliation Percentages	0.00 %
Total of Capital Recovery Riders and Reconciliation Percentages	1.08 %
PCOP	-1.15 %

ISSUED: March 25, 2014

EFFECTIVE: April 15, 2014

BY:



Deron E. Allen  
PRESIDENT

109 Wiehl Street  
Chattanooga, Tennessee 37403

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**CLASSIFICATION OF SERVICE****SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider ("SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

**2. The Percentage of Riders and Reconciliations**

For the Riders defined in the tariffs :

QIIP	2.13 %
EDI	0.61 %
<u>SEC</u>	<u>3.54 %</u>
Subtotal of all Capital Recovery Riders	6.28 %

QIIP Annual Reconciliation Percentage	0.00 %
EDI Annual Reconciliation Percentage	0.00 %
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00 %</u>
Subtotal of all Reconciliation Percentages	0.00 %

Total of Capital Recovery Riders and Reconciliation Percentages 6.28 %

PCOP -0.73 % (D)

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**ISSUED: June 26, 2015****EFFECTIVE: July 20, 2015****BY:**

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**Deron E. Allen  
PRESIDENT**

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**109 Wiehl Street  
Chattanooga, Tennessee 37403**

STATE OF Kentucky )  
COUNTY OF Fayette )

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Linda C. Bridwell, being by me first duly sworn deposed and said that:

She is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.

Linda C. Bridwell  
Linda C. Bridwell

Sworn to and subscribed before me  
this 23rd day of June, 2015.

Reggie A. Stone  
Notary Public

My Commission Expires: 10/3/2016

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served via United States

Mail and/or electronic mail to the following:

Wayne Irvin, Esq.  
Assistant Attorney General  
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Office of the Tennessee Attorney General  
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Nashville, TN 37202-0207  
Vance.Broemel@ag.tn.gov

SO CERTIFIED, this the 26<sup>th</sup> day June, 2015.

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