

**PETITIONER'S EXHIBIT LCB-1**

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

**DOCKET NO. 15- 20131**

**DIRECT TESTIMONY**

**OF**

**LINDA C. BRIDWELL**

**ON**

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

**SPONSORING PETITIONER'S EXHIBITS:**

**PETITIONER'S EXHIBIT – PCOP CALC – LCB**

**PETITIONER'S EXHIBIT – 2016 PCOP AVG IMPACT – LCB**

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

**PETITIONER'S EXHIBIT – PENDING TARIFF SHEET NO. 12 – RIDERS - LCB**

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

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

2 **A.** My name is Linda C. Bridwell and my business address is 2300 Richmond Road,  
3 Lexington, Kentucky 40502.

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

5 **A.** I am employed by American Water Works Service Company ("AWW") as Manager of  
6 Rates and Regulation for Tennessee and Kentucky.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY**  
8 **OTHER COMMISSION?**

9 **A.** Yes. I provided written testimony before the Tennessee Regulatory Authority ("TRA" or  
10 "Authority") in TRA Docket No. 12-00049 and TRA Docket No. 15-00001, and both  
11 written and oral testimony in TRA Docket No. 14-00121 and 15-00029. I have also  
12 provided both written and oral testimony in at least fifteen different proceedings before  
13 the Kentucky Public Service Commission ("PSC") including rate cases, special  
14 investigations, and applications for a Certificate of Public Convenience and Necessity.

15 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**  
16 **BACKGROUND.**

17 **A.** I received a B.S. degree in Civil Engineering from the University of Kentucky in 1988  
18 and I received a M.S. degree in Civil Engineering from the University of Kentucky in  
19 1992 with an emphasis in water resources. I completed a Masters of Business  
20 Administration from Xavier University in Cincinnati, Ohio in 2000. I am a registered  
21 Professional Engineer in the Commonwealth of Kentucky.

22 I have been employed by AWW since 1989. I began as a distribution supervisor for  
23 Kentucky American Water ("KAWC") until 1990 when I was promoted to Planning

1 Engineer, then Engineering Manager, and later Director of Engineering in 1998. In July  
2 2004, I accepted the position of Project Delivery and Developer Services Manager for the  
3 Southeast Region of AWW, responsible for Kentucky, Tennessee, and West Virginia. In  
4 2008, I became the KAWC Project Delivery Manager for the construction of a new water  
5 treatment plant, booster station, and transmission main in Kentucky. This project was the  
6 largest project completed by American Water, in any of its regulated businesses, at \$164  
7 million. Upon completion of the project in October 2010, I became the Director of  
8 Environmental Compliance and Water Quality for KAWC and in February of 2012 I  
9 accepted my current position. I am an active member of the American Water Works  
10 Association (AWWA), served as president of the local chapter and state section of the  
11 American Society of Civil Engineering (ASCE), and served as an officer in the local  
12 chapter of the National Society of Professional Engineers (NSPE) and as a State officer.  
13 I have served periodically as an Adjunct Professor at the University of Kentucky in the  
14 Civil Engineering Department, teaching "Water Quality and Pollution Control" and the  
15 "Introduction to Environmental Engineering." I served as a member of the  
16 Civil Engineering Industrial Advisory Committee at the University of Kentucky from  
17 2005 until 2012. I served as a Commissioner on the Kentucky Water Resources  
18 Development Commission established by Governor Patton and currently serve on the  
19 Board of Directors for the Kentucky Infrastructure Authority.

20 **Q. WHAT ARE YOUR DUTIES AS MANAGER OF RATES AND REGULATION?**

21 A. My primary responsibilities encompass the coordination of regulatory issues in  
22 Tennessee and Kentucky. This includes coordinating all reports and filings, working  
23 with regulatory staff to make sure that all information produced addresses the

1 requirements or requests, and overseeing the preparation and filing of rate cases and tariff  
2 changes. I work with the senior management in both states on planning. I am also  
3 responsible for keeping abreast of changes in regulation, or trends in regulatory oversight  
4 across the United States that may impact our local operations. I report to the Presidents  
5 of KAWC and Tennessee American Water (“Tennessee American” or “TAWC”). I am  
6 located in Kentucky, but work closely with the TAWC staff in Tennessee as well.

7 **Q. WHAT IS THE PURPOSE OF THE PETITION TAWC HAS FILED?**

8 A. On April 14, 2014, the Tennessee Regulatory Authority approved four new alternative  
9 rate mechanisms for TAWC in TRA Docket No. 13-00130, effective April 15, 2014.  
10 Three of these alternative rate mechanisms were capital program riders and one was for a  
11 rider for production costs and other pass-throughs. The three capital recovery riders are a  
12 Qualified Infrastructure Investment Program (“QIIP”) Rider, an Economic Development  
13 Investment (“EDI”) Rider, and a Safety and Environmental Compliance (“SEC”) Rider.  
14 The QIIP Rider, the EDI Rider and the SEC Rider are commonly referred to as the  
15 Capital Riders. The Capital Riders are based on certain categories of forward-looking  
16 capital expenditures that are projected or forecasted annually for the upcoming  
17 investment period. The Production Costs and Other Pass-throughs Rider (“PCOP”), on  
18 the other hand, is based on a historical annual review period.

19 The purpose of TAWC’s Petition, which this testimony accompanies (the “Petition”), is  
20 to provide the required information and supporting documentation for the 2015 historical  
21 review period of December 1, 2014 through November 30, 2015 to comply with the  
22 previously approved PCOP rider tariff, which as noted above was approved in TRA  
23 Docket No. 13-00130 and adjusted in Docket No. 15-00001. The information provided

1 in my testimony is consistent with Tenn. Code Ann. § 65-5-103 *et seq.*, the decisions  
2 made in TRA Docket No. 13-00130 and the adjustments ordered by the Authority in  
3 TRA Docket No. 15-00001.

4 **Q. CAN YOU ELABORATE ON THE PRODUCTION COSTS AND OTHER PASS-**  
5 **THROUGHS RIDER TARIFF THAT WAS APPROVED BY THE TRA ON**  
6 **APRIL 14, 2014?**

7 **A.** Yes. The previously approved production costs and other pass-throughs rider included  
8 the concept of an annual review of certain categories of operational expenses during the  
9 historical review period. The PCOP differs from the Capital Riders in that the PCOP is  
10 based upon actual historical expense increases, rather than forward-looking projections.  
11 The PCOP is a tariff rate adjustment mechanism for recovery from, or crediting to,  
12 customers incremental changes in essential, non-discretionary expenses, including  
13 purchased power expense, purchased chemical expense, purchased water expense,  
14 wheeling charge expense, waste disposal expense and TRA inspection fees that are above  
15 or below the level authorized for recovery in the most recent rate case. At the end of a  
16 12-month period, the PCOP looks at that historical period and compares the actual  
17 production expenses to the amount of production expenses authorized in the most recent  
18 rate case, which for TAWC is TRA Docket No. 12-00049 . The “initial” PCOP Rider  
19 year or review period pursuant to the April 14, 2014, approval of the agency was the  
20 attrition year period from that previous rate case of December 1, 2012 through November  
21 30, 2013, as compared to the actual amount of production expenses that occurred  
22 between December 1, 2012 through November 30, 2013. The approved tariff in Docket  
23 No. 13-00130 then identified each following review period as subsequent 12-month

1 periods. Last year, in Docket No. 15-00001, TAWC used the review period of December  
2 1, 2013 through November 30, 2014 to calculate the PCOP percentage rate for an  
3 adjustment to the PCOP as the second proposed adjustment. The “current” review period  
4 that is the subject of this Petition is from December 1, 2014 through November 30, 2015.  
5 This Petition includes the current review period expenses, compared to the amounts  
6 approved in TAWC’s last general rate case.

7 **Q. IS THERE A SECOND STEP TO THE PCOP RECONCILIATION PROCESS?**

8 **A. Yes.** A reconciliation adjustment of the amount that was projected to be collected or  
9 refunded over the review period, compared to the actual amount collected or refunded.  
10 TAWC has included this reconciliation in the Petition as well.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 **A.** The purpose of my testimony is to support the calculation of the 2016 PCOP Rider  
13 described in the Petition. Of the four riders approved by the Authority on April 14, 2014,  
14 in TRA Docket No. 13-00130, the PCOP Rider is the only item included in the Petition.

15 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

16 **A.** Yes I am. I am sponsoring the following exhibits:

17 **Petitioner’s Exhibit – PCOP Calc Exhibit – LCB**  
18 **Petitioner’s Exhibit – 2016 PCOP Avg Impact--LCB**  
19 **Petitioner’s Exhibit – Current Tariff Sheet No. 12 – Riders – LCB**  
20 **Petitioner’s Exhibit – Pending Tariff Sheet No. 12 – Riders – LCB**  
21 **Petitioner’s Exhibit – Proposed Tariff Sheet No. 12 – Riders - LCB**  
22

23 I will discuss these exhibits in further detail in my testimony below.

24 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**  
25 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

1 A. Yes.

2 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**  
3 **PETITIONER'S EXHIBITS LISTED ABOVE?**

4 A. The data used to prepare the exhibits was acquired from the books of account and  
5 business records of Tennessee American, the officers and associates of Tennessee  
6 American with knowledge of the facts based on their job responsibilities and activities,  
7 and other internal sources which I examined in the course of my investigation of the  
8 matters addressed in this testimony.

9 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT**  
10 **IS NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**  
11 **PURPOSES?**

12 A. Yes.

13 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**  
14 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**  
15 **DATA?**

16 A. Yes, it does.

17 A.

18 **Q. DOES THE PCOP RIDER BENEFIT THE CUSTOMERS?**

19 Yes. The PCOP is mutually beneficial to the ratepayers, the public, and TAWC. Along  
20 with the Capital Recovery Riders, the Production Costs and Other Pass-Throughs Rider  
21 reduce the need for general rate cases, lessen the occurrence of consumer "rate shock,"  
22 and allow for more efficient, streamlined regulation. The ratepayers and the public  
23 benefit from efficiently addressing changes in costs that are largely outside TAWC's

1 control, without the expense of a general rate case. In the case of the PCOP, the  
2 customers have seen a rate decrease as TAWC's production costs were less than  
3 anticipated during the attrition year. The Company benefits from a more efficient,  
4 streamlined regulatory process that presents TAWC with the opportunity to timely  
5 recover its expenses.

6 **Q. CAN YOU EXPLAIN THE CALCULATION OF THE PCOP RIDER?**

7 **A.** Certainly. As set forth in the approved tariffs, the PCOP Rider is established on an  
8 annual basis. Essentially, the calculation starts with levels of purchased power,  
9 purchased chemical, purchased water, wheeling charges, waste disposal, and TRA  
10 Inspection Fee assessments and water sales that are authorized in the Company's most  
11 recent rate case. The authorized levels of purchased power, purchased chemical,  
12 purchased water, wheeling charges, waste disposal, and TRA Inspection Fee assessments  
13 are divided by the authorized level of water sales in hundred gallons. Then actual  
14 purchased power expense, purchased chemical expense, purchased water expense,  
15 wheeling charges, waste disposal expense, and TRA Inspection Fee assessments are  
16 divided by the actual level of water sales in hundred gallons. The difference is the  
17 incremental change in production costs per hundred gallons of water. This incremental  
18 difference is then multiplied by the authorized level of water sales in hundred gallons.  
19 After that, the amount of the PCOP revenues from the previous period that is either over  
20 or under the anticipated amount is calculated with interest and added to the expense  
21 difference. The total amount is grossed up for the authorized gross receipts tax rate and  
22 uncollectible rate from the previous rate case, and then divided by the authorized  
23 revenues from the previous case. It is expressed as a percentage for all water charges. If



1 it is negative, the amount is to be refunded to customers. If it is positive, it is added as a  
2 surcharge to the customers' bills as additional revenues.

3 As approved, the PCOP changes on an annual basis until it resets back to zero at the  
4 conclusion of the Company's next rate case filing, at which point the operational  
5 expenses for these categories that are reflected and approved in that rate case filing will  
6 be included within Base Rates.

7 **Q. HAVE YOU INCLUDED THE CALCULATION OF THE PRODUCTION COSTS**  
8 **AND OTHER PASS-THROUGHS RIDER IN THE PETITION?**

9 **A.** Yes. I have attached an exhibit that reflects the calculation of the PCOP Rider. The  
10 detailed calculations are attached in an exhibit to my testimony as Petitioner's Exhibit  
11 PCOP Calc – LCB. The calculations in this petition are consistent with the calculations  
12 made pursuant to and in compliance with the approved tariff in TRA Docket No. 13-  
13 00130 and again in 15-00001. Further, to assist in the streamlined regulatory process,  
14 TAWC is including with the Petition its detailed work-papers supporting the calculation  
15 of the PCOP, including all of the invoices for the review period. Again, these  
16 workpapers are consistent with the calculations made pursuant to and in compliance with  
17 the approved tariff in TRA Docket No. 13-00130 and again in 15-00001.

18 **Q. HAS TAWC INCLUDED DETAILED INFORMATION REGARDING THE**  
19 **EXPENSES THAT MAKE UP EACH OF THE EXPENSE CATEGORIES FOR**  
20 **THE PCOP RIDER?**

21 **A.** Yes. As with TRA Docket No. 13-00130, TAWC began with the General Ledger for  
22 each of the accounts for the appropriate expenses. TAWC then reconciled the monthly  
23 General Ledger charges with the actual invoices appropriate for monthly period. TAWC

1 removed any charges that were not consistent with the previous docket. This included  
2 power charges that are not specific to production, late charges, or charges for service  
3 periods outside the review period even if the invoice was applied to the General Ledger  
4 during the review period.

5 **Q. HOW ARE THE PCOP EXPENSES RECOVERED?**

6 A. The PCOP is expressed as a percentage. The current tariff Original Sheet No. 12 –  
7 Riders – 1 is attached to my testimony as Petitioner's Exhibit Current Tariff Sheet No.  
8 12 – Riders – LCB. Additionally, TAWC proposed new capital recovery riders in  
9 Docket No. 15-00111. The new proposed tariff sheet in that case is still pending, and is  
10 Fourth Revised Sheet No. 12—Riders – 1 and is attached to my tariff as Petitioner's  
11 Exhibit Pending Tariff Sheet No. 12—Riders – LCB. The proposed tariff sheet Fifth  
12 Revised Sheet No. 12 – Riders - 1 is attached to my testimony as Petitioner's Exhibit  
13 Proposed Sheet No. 12 – Riders – LCB. The PCOP is applied to the total amount billed  
14 to each customer under the otherwise applicable rates and charges for basic service,  
15 metered usage charges, and private fire charges, and are applied prior to the inclusion of  
16 any other taxes, charges, or surcharges. The Capital Riders are combined into one line  
17 item on the bill of each customer, while the PCOP Rider is a second line item on the bill  
18 of each customer.

19 **Q. WHAT WILL HAPPEN TO THE PCOP RIDER UPON APPROVAL OF NEW**  
20 **RATES IN A RATE CASE PROCEEDING?**

21 A. The PCOP will be reset to zero as of the effective date of the new base rates which Base  
22 Rates then provide for the recovery of the operational expenses in Base Rates.

1 **Q. WHAT GROSS RECEIPT RATE IS UTILIZED IN THE FORMULA OF THE**  
2 **CAPITAL RIDERS?**

3 A. The gross receipt rate is the established rate in the Company's immediately preceding  
4 Base Rate case Order, currently TRA Docket No. 12-00049.

5 **Q. WHAT UNCOLLECTIBLES RATE IS USED TO DETERMINE THE PCOP?**

6 A. The uncollectible rate is the established rate in the Company's immediately preceding  
7 Base Rate case Order, currently TRA Docket No. 12-00049.

8 **Q. HAS TAWC MADE ADJUSTMENTS TO THE PCOP FOR UNACCOUNTED-**  
9 **FOR WATER PERCENTAGES?**

10 A. Yes. The fuel and power expenses, and chemical expenses have been reduced to assume  
11 an authorized level of 15%. TAWC has been working on reducing its unaccounted for  
12 water levels, but they currently remain above the TRA authorized rate of 15%.

13 **Q. HOW ARE ANNUAL REVENUES DETERMINED FOR THE PCOP?**

14 A. The projected annual revenues will be the authorized water services revenues from the  
15 last case, TRA Docket No. 12-00049, including all service charges and volumetric  
16 charges for all classes that are subject to the Capital Riders.

17 **Q. IS THERE A RECONCILIATION OF THE CURRENT AUTHORIZED PCOP?**

18 A. Yes. There is a difference between the amount of the PCOP that was authorized to be  
19 refunded in TRA Docket No. 15-00001 and what was actually refunded. This occurred  
20 for two reasons. First, the PCOP was calculated assuming a full year of implementation,  
21 but was not authorized until August. Therefore there were 8 months less to apply the  
22 PCOP refund than anticipated in the original filing. However, during that 8-month time  
23 period the authorized PCOP remained at the previous level, therefore slightly more was

1 refunded than anticipated. Second, the water sales were below the authorized amount  
2 from the base year in Docket No. 12-00049 for the third year, which means less water  
3 sales to which the PCOP can be applied. This second amount (the impact of less water  
4 sales) offsets the first amount (slightly more being refunded over the 8-month period), or  
5 the proposed refund amount would be higher. The reconciliation of this under refund  
6 amount, with interest, has been included in the PCOP calculation.

7 **Q. YOU INDICATED THAT TENNESSEE AMERICAN IS ONLY INCLUDING**  
8 **CHANGES TO THE PCOP RIDER FOR 2016 IN THIS FILING. WHEN WILL**  
9 **TENNESSEE AMERICAN ADDRESS THE CAPITAL RIDERS?**

10 **A.** Consistent with the approved tariffs, Tennessee American filed a petition for the  
11 adjustment of the Capital Riders for 2016 on November 12, 2015 in TRA Docket No. 15-  
12 00111. This petition only addressed the 2016 projected Capital Rider projects.  
13 Additionally, TAWC will file a reconciliation for the Capital Riders no later than March  
14 1, 2016. There are actually two steps to the reconciliation. The first is an adjustment for  
15 budget to actual investment. This is a regulatory oversight and public interest component  
16 of the mechanism that results in a true-up if the investment did not occur (up or down) as  
17 forecasted. The second is an adjustment for the over or under recovery of revenues as  
18 projected, including interest. In this way, the consumers are protected if sales exceed the  
19 amount authorized in the previous rate case proceeding. This may occur if there is a  
20 significant amount of customer growth or if dry and hot conditions occur in any given  
21 year. This second adjustment also allows TAWC to adjust if sales are less than the  
22 amount authorized in the last case, as may occur with declining usage that TAWC has  
23 experienced in recent years. The reconciliation percentage for the Capital Riders,

1 pending approval by April 1, 2016, as contemplated in the tariffs, will be applied to  
2 customer bills for 9 months in 2016.

3 **Q. MS. BRIDWELL, IN YOUR TESTIMONY IN TRA DOCKET NO. 15-00001, DID**  
4 **YOU INDICATE THAT THERE WERE SOME ISSUES REGARDING THE**  
5 **RECONCILIATION OF THE INITIAL FILING APPROVED BY THE**  
6 **AUTHORITY ON APRIL 14, 2014? IF SO, CAN YOU ELABORATE ON THOSE**  
7 **ISSUES AT THIS TIME?**

8 **A.** Yes, I did indicate that, and I can elaborate too. Based upon Tenn. Code Ann. § 65-5-103  
9 *et seq.*, in TRA Docket 13-00130, Tennessee American proposed tariffs that it anticipated  
10 would be approved and be in place in January 2014. As the tariffs became effective on  
11 April 15, 2014 rather than earlier in January, TAWC did not begin applying the Capital  
12 Rider or PCOP Rider surcharges until mid-April. Because of this, if these dates are  
13 strictly applied, an annual reconciliation of the first filing approved on April 14, 2014,  
14 would have to be completed in two steps – a) one to capture the amount of expenses for  
15 the review period which could be filed by December 30, 2014; and b) one to capture the  
16 difference in dollars refunded through the rider from April 15, 2014 through April 14,  
17 2015, which would not be able to be filed until mid to late June, 2015. Filing in this  
18 manner would create a mismatch of reconciliation periods that would remain until a new  
19 rate case is filed and approved by the TRA and the filing periods would be re-set. The  
20 mismatch of reconciliation periods would have created an additional expense for TAWC,  
21 and a heightened, though avoidable, resource burden to the Authority and the Tennessee  
22 Consumer Advocate and Protection Division (“CAPD”), relative to the preparation and  
23 review of an additional reconciliation. Further, this mismatch would result in two

1 adjustments to customer bills over a 12-month period on the PCOP alone, which may  
2 lead to some customer confusion.

3 **Q. WHAT HAS BEEN DONE TO ADDRESS THIS RECONCILIATION ISSUE?**

4 **A.** TAWC proposed to only file one reconciliation for the review period of December 1,  
5 2013 through November 30, 2014, to incorporate both steps, and thus eliminate the  
6 mismatch of the reconciliation periods. In Docket No. 15-00001, the TRA approved the  
7 once annual reconciliation for the review periods going forward.

8 **Q. AGAIN, WHY IS TENNESSEE AMERICAN NOT INCLUDING THE**  
9 **RECONCILIATION COMPONENT OF THE 2014 CAPITAL RIDERS IN THIS**  
10 **FILING?**

11 **A.** The QIIP, EDI, and SEC Capital Riders were approved to cover the calendar year 2015.  
12 Because the year has not been completed, the reconciliation cannot accurately occur  
13 consistent with the tariffs. As established in the tariffs, the reconciliation will occur in  
14 early 2016 and be filed no later than March 1, to be effective in rates April 1, 2016.

15 **Q. WILL THE CAPITAL RIDERS HAVE A TWO-STEP RECONCILIATION**  
16 **PROCESS?**

17 **A.** Yes. Similar to the PCOP Rider, the Capital Riders reconciliation has 1) the  
18 reconciliation of the budget of investments compared to actual made as part of the capital  
19 riders for calendar year 2015; and 2) the difference in dollars collected through the riders  
20 in calendar year 2015.  
21

1 **Q. TENNESSEE AMERICAN WATER HAS NOW HAD THREE CONSECUTIVE**  
2 **FILINGS WHERE THE PCOP IS PROPOSED AS A REFUND. DOES THAT**  
3 **MEAN TAWC OVERSTATED ITS EXPENSES IN DOCKET NO. 12-00049?**

4 **A.** Not at all. What it means is that TAW has been able to balance its operating expenses,  
5 allowing the customers to receive the immediate benefit of those efficiencies instead of  
6 waiting until the next general rate case. This means that savings have been realized in  
7 some areas of expense covered by the PCOP where other areas of expense are increasing.  
8 For example, the waste disposal expense has increased while the power expenses have  
9 decreased. TAW believes this immediate benefit to the customer, without the additional  
10 expense of a rate case, has demonstrated that these mechanisms continue to be in the  
11 public interest.

12 **Q. WHAT IS THE PROPOSED NEW PCOP RIDER?**

13 **A.** TAWC is proposing a PCOP Rider that results in an annualized revenue refund of  
14 \$208,035, or a surcharge of -0.44%. This is a reduction of \$137,320 from the previously  
15 approved refund of \$345,355. The previously approved PCOP Rider is -0.73%, and this  
16 new proposed PCOP Rider is a decrease of 0.29%.

17 **Q. HAS TENNESSEE AMERICAN FILED A TARIFF ADDRESSING THE**  
18 **PROPOSED PCOP RIDER?**

19 **A.** Yes. A new tariff Fifth Revised Sheet No. 12 – Riders – 1 reflects the PCOP Rider and is  
20 attached to my testimony as Petitioner’s Exhibit Proposed Sheet No. 12- Riders -  
21 LCB.

1    **Q.    WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL?**

2    **A.**    The typical residential customer living in the City of Chattanooga, and using an average  
3           of 4,154 gallons per month will see a decrease in their bill of \$0.09 per month, or \$1.08  
4           per year from the PCOP Rider. This is a change from the previous PCOP Rider which  
5           was a decrease in their monthly bill of \$0.16. A summary of this information is attached  
6           to my testimony as Petitioner's Exhibit 2015 PCOP Avg. Impact – LCB.

7    **Q.    IS THE PCOP RIDER STILL IN THE PUBLIC INTEREST?**

8           Yes. Tennessee American understands that the purpose of the legislation was, in part, to  
9           encourage timely recovery of expenses to enhance financial stability, while reducing the  
10          costs to consumers and utilities for regulatory review and implementation, and promoting  
11          rate gradualism for consumers. TAWC believes the approved production costs and other  
12          pass-throughs rider is achieving that goal. Without the approved alternative rate  
13          mechanisms, TAWC would be preparing another general rate case. TAWC has been  
14          able to immediately pass along expense savings to its customers over the last year and  
15          will continue in this year. In this way, customers benefit from immediate expense  
16          savings without a cost of a rate case, which we believe to be in the public interest.

17   **Q.    ARE YOU AWARE OF ANY CHANGES IN MARKET CONDITION OR OTHER**  
18   **FACTORS THAT MAY AFFECT WHETHER THE PCOP RIDER REMAINS IN**  
19   **THE PUBLIC INTEREST?**

20   **A.**    No, I am not.  
21

22   **Q.    WHAT DO YOU RECOMMEND WITH REGARD TO THIS PETITION?**

23   **A.**    I recommend that the petition be approved for the adjustment in the PCOP Rider.



1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.

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 28<sup>th</sup> day of December, 2015.

Ricky A. Stone  
Notary Public

My Commission Expires: 10/3/2016

Tennessee American Water Company  
Docket No. 15-

Calculation of Production Costs and Other Pass-Throughs ("PCOP") Including Non-Revenue Water  
To Determine PCOP Tariff Rider  
Actuals for the Year Ending November 30, 2015

Line Number	Description	Amount
<b><u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u></b>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$ 4,062,167
2	Pro Forma Water Sales (WS) in 100 Gallons	100,589,065
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$ 0.04038</u>
<b><u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs vs. the Base Rate Cost (**):</u></b>		
4	Actual Production Costs and Other Pass-Throughs	\$ 3,569,956
5	Over-Under Collection Adjustment	\$ 129,642
6	Review Period PCOP Costs Adjusted for Over-Under Collections	\$ 3,699,598
7	Actual Water Sales (100 Gallons)	96,367,785
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$ 0.03839
9	Base Rate Cost per 100 Gallons WS (Line 3)	\$ 0.04038
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	\$ (0.00199)
11	Base Rate Case Water Sales 100 Gallons (Line 2)	100,589,065
12	Deferral Amount (Line 10 * Line 11)	<u>\$ (200,513)</u>
<b><u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u></b>		
13	Total Deferred Amount (Line 12)	\$ (200,513)
14	Total Deferred Amount Grossed Up for revenue taxes ( sum of Gross Receipts Tax and Uncollectibles (Line 13 / (1.0-.03616)) (***)	\$ (208,035)
15	Projected Annual Base Rate Revenue subject to PCOP (*)	47,073,724
16	PCOP % (Line 14 / Line 15)	<u>-0.44%</u>

(\*) The numbers are taken from the settlement agreement in Docket No. 12-00049

(\*\*) The numbers are actuals for the year ended November 30, 2015 including Non-Revenue Water for Purchased Power and Chemicals

(\*\*\*) Assumes Gross Receipts Tax @ 3.0%, Uncollectibles @ 1.0571%, TRA Fee @ 0.4250%, and Forfeited Discount Rate @ -0.8661%

Tennessee American Water Company  
Production Costs and Other Pass-Throughs  
Average Residential Bill Impact  
5/8" Meter and Usage of 5.55 CCF (or 41.54 100 Gallons)

Line Number	Area	Meter Fee	Volumetric Charges	Bill Before Surcharges	2015 Authorized Capital Surcharges at 5.72%	2016 PCOP at -0.44%	2016 QIIP Surcharge at 2.21%	2016 EDI Surcharge at 0.02%	2016 SEC Surcharge at 2.17%	2016 Proposed Capital Adjustments	Total Proposed Surcharges
1											
2	Chattanooga	\$ 13.96	\$ 7.60	<u>\$ 21.56</u>	\$ 1.23	\$ (0.09)	\$ 0.48	\$ 0.00	\$ 0.47	<u>\$ 0.95</u>	<u>\$ 2.09</u>
3											
4	Lookout Mountain	\$ 15.66	\$ 12.39	<u>\$ 28.05</u>	\$ 1.60	\$ (0.12)	\$ 0.62	\$ 0.01	\$ 0.61	<u>\$ 1.23</u>	<u>\$ 2.72</u>
5											
6	Lakeview	\$ 15.66	\$ 9.16	<u>\$ 24.82</u>	\$ 1.42	\$ (0.11)	\$ 0.55	\$ 0.00	\$ 0.54	<u>\$ 1.09</u>	<u>\$ 2.40</u>
7											
8	Suck Creek	\$ 30.60	\$ 16.12	<u>\$ 46.72</u>	\$ 2.67	\$ (0.21)	\$ 1.03	\$ 0.01	\$ 1.01	<u>\$ 2.06</u>	<u>\$ 4.52</u>
9											
10	Lone Oak	\$ 42.03	\$ 15.65	<u>\$ 57.68</u>	\$ 3.30	\$ (0.25)	\$ 1.27	\$ 0.01	\$ 1.25	<u>\$ 2.54</u>	<u>\$ 5.58</u>
11											

TENNESSEE-AMERICAN WATER COMPANY

TRA NO. 19

Third Revised Sheet No. 12-Riders-1

**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**

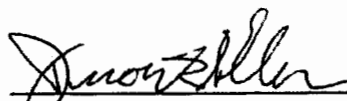
For the Riders defined in the tariffs :

QIIP	2.13 %	
EDI	0.05 %	
<u>SEC</u>	<u>3.54 %</u>	
Subtotal of all Capital Recovery Riders	5.72 %	
QIIP Annual Reconciliation Percentage	0.254 %	(I)
EDI Annual Reconciliation Percentage	-0.150 %	(I)
<u>SEC Annual Reconciliation Percentage</u>	<u>0.06 4%</u>	(I)
Subtotal of all Reconciliation Percentages	0.16 8%	(I)
Total of Capital Recovery Riders and Reconciliation Percentages	5.888 %	(I)
PCOP	-0.73 %	

ISSUED: October 28, 2015

EFFECTIVE: November 1- December 31, 2015

BY:



**Deron E. Allen**  
PRESIDENT

**109 Wiehl Street**  
**Chattanooga, Tennessee 37403**

**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 :

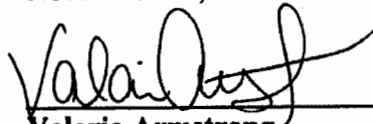
QIIP	4.34 %	(I)
EDI	0.07 %	(I)
<u>SEC</u>	<u>5.71 %</u>	(I)
Subtotal of all Capital Recovery Riders	10.12 %	
QIIP Annual Reconciliation Percentage	0.00 %	
EDI Annual Reconciliation Percentage	0.00 %	
<u>SEC Annual Reconciliation Percentage</u>	<u>0.00 %</u>	
Subtotal of all Reconciliation Percentages	0.00 %	
Total of Capital Recovery Riders and Reconciliation Percentages	10.12%	
PCOP	-0.73 %	

(I) Indicates Increase

ISSUED: November 12, 2015

EFFECTIVE: January 1, 2016

BY:

  
Valoria Armstrong  
PRESIDENT

109 Wiehl Street  
Chattanooga, Tennessee 37403

TENNESSEE-AMERICAN WATER COMPANY

TRA NO. 19

Fifth Revised Sheet No. 12-Riders-1

**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	4.34 %	
EDI	0.07 %	
<u>SEC</u>	<u>5.71 %</u>	
Subtotal of all Capital Recovery Riders	10.12 %	
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	10.12%	
PCOP	-0.44 %	(D)

(I) Indicates Decrease

ISSUED: December 30, 2015

EFFECTIVE: March 1, 2016

BY:

  
Valoria Armstrong  
PRESIDENT

109 Wiehl Street  
Chattanooga, Tennessee 37403