

Electronically Filed in TPUC Docket Room on June 10, 2019 at 10:18 a.m.

June 10, 2019

VIA ELECTRONIC FILING

TPUC.DocketRoom@tn.gov

Hon. Robin L. Morrison, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: *Petition of Tennessee-American Water Company Regarding The Production Costs and Other Pass-Throughs Rider*, TPUC Docket No. 19-00010

Dear Chairman Morrison:

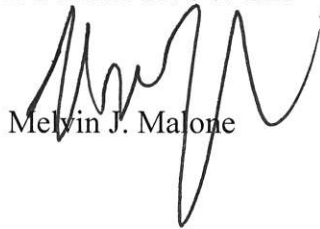
Attached for filing please find *Tennessee-American Water Company's Rebuttal Testimony of Elaine Chambers* in the above-captioned matter.

As required, an original and four (4) hard copies will follow.

Should you have any questions concerning this filing, or require additional information, please do not hesitate to let me know.

Very truly yours,

BUTLER SNOW LLP



Melvin J. Malone

clw

Attachments

cc: Elaine Chambers, Tennessee-American Water Company
Daniel Whitaker III, Assistant Attorney General, Consumer Protection and Advocate Division
Vance Broemel, Assistant Attorney General, Consumer Protection and Advocate Division

PETITIONER'S EXHIBIT EKC-2

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 19-00010

REBUTTAL TESTIMONY

OF

ELAINE K. CHAMBERS

ON

CHANGES TO THE PRODUCTION COSTS AND OTHER PASS-THROUGHS RIDER

ATTACHED EXHIBITS:

PETITIONER'S EXHIBIT - PCOP CALC – REVISED - 6 10 19 - EKC

PETITIONER'S EXHIBIT - PCOP AVG IMPACT- REVISED 6 10 19 - EKC

**PETITIONER'S EXHIBIT - PROPOSED TARIFF SHEET NO. 12 - RIDERS – REVISED
6 10 19 - EKC**

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

2 A. My name is Elaine K. Chambers 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 Director,
6 Rates and Regulatory for Tennessee and Kentucky.

7 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS DOCKET?**

8 A. Yes. I submitted Pre-filed Direct Testimony in this case on January 15, 2019 on behalf of
9 Tennessee-American Water Company ("Tennessee American," "TAWC" or
10 "Company").

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

12 The purpose of my Rebuttal Testimony is to respond to the Pre-filed Testimony of Alex
13 Bradley, witness for the Consumer Protection and Advocate Division of the Tennessee
14 Attorney General's Office ("CPAD"), filed with the Tennessee Public Utility
15 Commission ("TPUC" or "Commission") on May 10, 2019.

16 **Q. DO YOU HAVE ANY CONCERNS WITH MR. BRADLEY'S TESTIMONY ?**

17 A. No, I do not.

18 **Q. HAS THE CPAD PROPOSED ANY REVISIONS TO THE 2018 PRODUCTION**
19 **COSTS AND OTHER PASS-THROUGH ("PCOP") RIDER?**

20 A. Yes. During the discovery process, we found that TAWC had an error in the non-
21 revenue usage number, which caused it to be understated in the original filing. This error
22 is discussed in CPADDR2_NUM001_03152019. Attachment 1 of this data request
23 shows a revised PCOP calculation of -1.10%. Both parties agree that the PCOP should

1 be revised based on this error, so we are revising our original filing for PCOP from -
2 0.91% to -1.10%.

3 **Q. WERE THERE ANY OTHER AREAS OF CONCERN OR OUTSTANDING**
4 **ISSUES SET FORTH IN MR. BRADLEY'S PRE-FILED TESTIMONY?**

5 A. No.

6 **Q. HOW DOES THIS REVISED PCOP IMPACT THE AVERAGE RESIDENTIAL**
7 **CUSTOMER?**

8 A. The average residential customer in Chattanooga would see a credit on their monthly bill
9 of (\$0.24) or (\$2.88) per year. In the original filing on January 15, 2019, the credit was
10 (\$0.20) per month, or (\$2.40) per year.

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

12 A. Yes. I am sponsoring the following exhibits:

13 Petitioner's Exhibit - PCOP Calc - Revised 6 10 19 - EKC

14 Petitioner's Exhibit - PCOP Avg Impact - Revised 6 10 19 - EKC

15 Petitioner's Exhibit - Proposed Tariff Sheet No. 12 - Riders - Revised
16 6 10 19 - EKC
17

18
19 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
20 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

21 A. Yes.

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

24 A. The data used to prepare the exhibits was acquired from the books of account and
25 business records of Tennessee American and other internal sources which I examined in
26 the course of my investigation of the matters addressed in this testimony.

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

4 A. Yes.

5 **Q. DO THE PETITIONER'S EXHIBITS LISTED ABOVE ACCURATELY**
6 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
7 **DATA?**

8 A. Yes, they do.

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

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

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

12 A. Yes. I reserve the ability to submit further testimony as is appropriate.

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 Elaine K. Chambers, 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 Public Utility Commission, and if present before the Commission and duly sworn, her testimony would be as set forth in her pre-filed testimony in this matter.

Elaine K. Chambers
Elaine K. Chambers

Sworn to and subscribed before me
this 10th day of June, 2019.

Sharon Miller
Notary Public


My Commission Expires: 7/25/2020

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Daniel P. Whitaker III
Vance Broemel, Esq.
Assistant Attorney General
Office of the Tennessee Attorney General
Consumer Advocate Unit, Financial Division
P.O. Box 20207
Nashville, TN 37202-0207
Daniel.Whitaker@ag.tn.gov
Vance.Broemel@ag.tn.gov

This the 10th day of June, 2019.



Melvin J. Malone

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	11.65%
EDI	0.65%
<u>SEC</u>	<u>6.88%</u>
Subtotal of all Capital Recovery Riders	19.18%
QIIP Annual Reconciliation Percentage	0.000%
EDI Annual Reconciliation Percentage	0.000%
<u>SEC Annual Reconciliation Percentage</u>	<u>0.000%</u>
Subtotal of all Capital Recovery Riders	0.000%
Total of Capital Recovery Riders and Reconciliation Percentages	19.18%
Offset to Capital Recovery Riders for TCJA savings	-2.75%
PCOP	-1.10% (D)

(D) Indicates Increase

ISSUED:	June 10, 2019	EFFECTIVE:	March 15, 2019
---------	---------------	------------	----------------

BY:

Darlene L. Williams
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

From Exhibit 1

2019 PCOP at -1.10%

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	2018 Authorized Capital Surcharges at 16.43%	2019 PCOP at -1.10%	2019 QIIP Surcharge 1.60%	2019 EDI Surcharge at 0.24%	2019 SEC Surcharge at 0.91%	2019 Proposed TCJA Offset -2.75%	2019 Proposed Capital Adjustments	Total Proposed Surcharges
1												
2	Chattanooga	\$ 13.96	\$ 7.60	<u>\$ 21.56</u>	\$ 3.54	\$ (0.24)	\$ 0.34	\$ 0.05	\$ 0.20	\$ (0.59)	<u>\$ -</u>	<u>\$ 3.30</u>
3												
4	Lookout Mountain	\$ 15.66	\$ 12.39	<u>\$ 28.05</u>	\$ 4.61	\$ (0.31)	\$ 0.45	\$ 0.07	\$ 0.26	\$ (0.78)	<u>\$ -</u>	<u>\$ 4.30</u>
5												
6	Lakeview	\$ 15.66	\$ 9.16	<u>\$ 24.82</u>	\$ 4.08	\$ (0.27)	\$ 0.40	\$ 0.06	\$ 0.23	\$ (0.69)	<u>\$ -</u>	<u>\$ 3.81</u>
7												
8	Suck Creek	\$ 30.60	\$ 16.12	<u>\$ 46.72</u>	\$ 7.68	\$ (0.51)	\$ 0.75	\$ 0.11	\$ 0.43	\$ (1.29)	<u>\$ -</u>	<u>\$ 7.17</u>
9												
10	Whitwell	\$ 42.03	\$ 35.68	<u>\$ 77.71</u>	\$ 12.77	\$ (0.85)	\$ 1.24	\$ 0.19	\$ 0.71	\$ (2.14)	<u>\$ -</u>	<u>\$ 11.92</u>

Note:

Authorized Capital Surcharges, QIIP, EDI, SEC Riders are effective May 15, 2018 and pending January 1, 2019.

PCOP rider reflects current filing.

Service Charge effective November 1, 2012, Volumetric effective March 31, 2013

Tennessee American Water

2018 PCOP Reconciliation

Workbook Name: TAW_EXH_EKC_1_061019.xlsx

Workbook Information: This workbook calculates the PCOP surcharge percentage based on the reconciliation of PCOP related costs for the year December 2017 - November 2018.

Worksheet Name	Description / Purpose of Worksheet
1. Link In	1. Links in from each expense, authorized expense and sales from last rate case, current sales and system delivery and over-under collection.
2. PCOP Calc Exhibit	2. Calculation of the current PCOP rate.
3. Support Workpaper	3. Current expenses adjusted for Non-Revenue Water compared to authorized expenses from the last rate case.
4. Usage&Sysdel	4. Usage and system delivery for the 12 months ending November 2018.
5.	5.
6.	6.
7.	7.
8.	8.
9.	9.
10.	10.
11.	11.
12.	12.
13.	13.
14.	14.
15.	15.
16.	16.
17.	17.
18.	18.
19.	19.
20.	20.

There are three (3) other worksheets that are left blank intentionally and are used to identify and separate the Other Support, Exhibit and Workpaper worksheets.

Tennessee American Water Company
Docket No. 19-00010
For the Twelve Months Ending November 30, 2018
PCOP Actual Expenses
[Link In Page](#)

Description	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Total
Purchased Water	2,040	1,357	1,109	1,029	977	1,604	2,986	2,047	2,647	4,591	2,643	2,542	25,572
Purchased Power	181,592	205,759	181,923	182,558	172,892	185,034	196,105	194,688	194,377	186,703	185,778	179,146	2,246,557
Chemicals	82,058	64,957	87,114	73,486	92,614	66,558	68,574	78,365	73,215	80,161	81,811	73,367	922,281
Waste Disposal	42,758	13,348	17,079	23,292	45,614	36,071	39,121	24,213	22,343	18,673	24,581	109,093	416,185
TRA Inspection Fee (Amortized in 16530000)	17,978	17,978	17,978	17,048	17,668	17,668	17,668	16,588	17,668	17,668	17,668	17,668	211,249
Total	326,425	303,400	305,203	297,414	329,766	306,936	324,454	315,902	310,250	307,797	312,481	381,817	3,821,844

Amounts Approved in Docket 12-00049

Amounts Approved in Docket 12-00049	Total	
Purchased Power	2,678,772	From Docket 12-00049 Files - 'CAPD Exhibits for Revenue Requirement in TAWC Rate Case 12-00049-SETTLEMENT6.xlsx'
Chemicals	986,930	
Purchased Water	51,331	
TRA Inspection Fee	131,826	
Waste Disposal	213,308	

Authorized Sales in 100 Gallons

100,578,654 From Docket 12-00049

Projection of Annual Revenues from Last Rate Order:

47,073,724 From Docket 12-00049

[illegible]

Tennessee American Water Company
Docket No. 19-00010

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, 2018

Line Number	Description	Amount
<u>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</u>		
1	Pro Forma Production Costs and Other Pass-Throughs	\$4,062,167
2	Pro Forma Water Sales (WS) in 100 Gallons	100,578,654
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	<u>\$0.04039</u>
<u>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs (adjusted for 15% NRW) vs. the Base Rate Cost (**):</u>		
4	Actual Production Costs and Other Pass-Throughs	\$3,606,941
5	Over-Under Collection Adjustment	(72,416)
6	Review Period PCOP Costs Adjusted for Over-Under Collections	3,534,525
7	Actual Water Sales & Accounted For Lost Water (100 Gallons)	<u>99,751,414</u>
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$0.03543
9	Base Rate Cost per 100 Gallons WS (Line 3)	<u>0.04039</u>
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	(\$0.00495)
11	Base Rate Case Water Sales 100 Gallons (Line 2)	<u>100,578,654</u>
12	Deferral Amount (Line 10 * Line 11)	<u>(\$498,330)</u>
<u>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</u>		
13	Total Deferred Amount (Line 12)	(\$498,330)
14	Total Deferred Amount Grossed Up for revenue taxes (Line 13 / (1.0-.03616) (**))	(517,026)
15	Projected Annual Base Rate Revenue subject to PCOP (*)	<u>47,073,724</u>
16	PCOP % (Line 14 / Line 15)	<u>-1.10%</u>

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

(**) The numbers are actuals for the year ended November 30, 2018 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
Docket No. 19-00010
For the Twelve Months Ending November 30, 2018
PCOP Actual Expenses

Line #	Description	A	B	C	D	E	F
					C - B		E - D
		For the 12 Months Ending 11/30/2018	**NRW Limited 12 Mos Ending 11/2018 (Column A, Lines 2 and 3 x Line 18 Recoverable %)	Authorized Amount Per Docket 12-00049	Difference NRW Limited from Authorized Docket 12-00049	Adjust Difference for TRA Fee Recovered Via SEC, EDI, or QIIP 12 Months Ending 11/30/2018	Adjusted Difference
1	Purchased Water Including Wheeling Charges	\$25,572	\$25,572	\$51,331	(\$25,759)	\$0	(\$25,759)
2	Purchased Power**	2,246,557	2,094,201	2,678,772	(584,571)		(584,571)
3	Chemicals**	922,281	859,734	986,930	(127,196)		(127,196)
4	Waste Disposal	416,185	416,185	213,308	202,877		202,877
5	TRA Inspection Fee	211,249	211,249	131,826	79,423		79,423
6							
7	Total	<u>\$3,821,844</u>	<u>\$3,606,941</u>	<u>\$4,062,167</u>	<u>(\$455,226)</u>	<u>\$0</u>	<u>(\$455,226)</u>
8							
9							
10	Sales & Accounted For Lost Water in 100 Gallons	99,751,414	99,751,414	100,578,654		99,751,414	
11							
12	Cost per 100 Gallons (Line 7 / Line 10)	<u>\$0.03831</u>	<u>\$0.03616</u>	<u>\$0.04039</u>	<u>(\$0.00423)</u>	<u>\$0.00000</u>	<u>(\$0.00423)</u>
	Recoverable % for Production Costs	For the 12 Months Ending 11/30/2018					
13	Sales & Accounted for Lost Water	99,751,414					
14	System Delivery	127,529,621					
15	Non-Revenue-Unaccounted for Water % [1 - (Line 13 / Line 14)]	21.8%					
16	Non-Revenue-Unaccounted for Water % Authorized	15.0%					
17	Variance (If Line 15 > Line 16 then Line 15 - Line 16)	6.8%					
18	Recoverable % (1 - Line 17)	<u>93.2%</u>					

**Non-Revenue Unaccounted for Water is only applied to purchased power and chemicals.

Tennessee American Water Usage
Docket No. 19-00010
12 Months Ending November 2018

	Water Usage & Accounted For Lost Water	System Delivery	Unaccounted for Water Loss
2017 Dec	711,182	989,208	28.11%
2018 Jan	967,520	1,139,915	15.12%
2018 Feb	738,054	937,446	21.27%
2018 Mar	711,743	1,000,816	28.88%
2018 Apr	903,129	975,059	7.38%
2018 May	780,554	1,095,608	28.76%
2018 Jun	873,032	1,098,604	20.53%
2018 Jul	920,997	1,150,223	19.93%
2018 Aug	825,115	1,155,098	28.57%
2018 Sep	861,603	1,085,933	20.66%
2018 Oct	917,645	1,096,498	16.31%
2018 Nov	764,567	1,028,555	25.67%
	9,975,141	12,752,962	21.78%
		Average	21.76%