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

RE: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2019 Capital Recovery Riders Reconciliation, Docket No. 19-00031*

Dear Chairman Morrison:

Attached for filing please find the *Direct Testimony of Kurt A. Stafford, P.E. Adopting Testimony of Brent E. O'Neill, P.E.* in the above-captioned matter.

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

Very truly yours,

BUTLER SNOW LLP


Melvin J. Malone

clw

Attachment

cc: Elaine Chambers, Tennessee-American Water Company
Daniel P. Whitaker III, Assistant Attorney General, Financial Division, Consumer Advocate Unit
Karen H. Stachowski, Assistant Attorney General, Financial Division, Consumer Advocate Unit

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION
NASHVILLE, TENNESSEE**

**PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY REGARDING)
CHANGES TO THE QUALIFIED)
INFRASTRUCTURE INVESTMENT)
PROGRAM RIDER, THE ECONOMIC)
DEVELOPMENT INVESTMENT RIDER,)
AND THE SAFETY AND)
ENVIRONMENTAL COMPLIANCE)
RIDER AND IN SUPPORT OF THE)
CALCULATION OF THE 2019 CAPITAL)
RECOVERY RIDERS RECONCILIATION)**

DOCKET NO. 19-00031

**DIRECT TESTIMONY OF KURT A. STAFFORD, P.E.
ADOPTING TESTIMONY OF BRENT E. O'NEILL, P.E.**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Kurt A Stafford and my business address is 2300 Richmond Road,
Lexington, Kentucky 40502.

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

A. I am employed by American Water Works Service Company ("Service Company").
Service Company is a wholly owned subsidiary of American Water Works Company,
Inc. ("American Water") that provides services to Tennessee-American Water Company
("TAWC" or "Company") and its affiliates. My current role is Director of Engineering
for Tennessee and Kentucky.

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

A. I received a B.S. degree in Civil Engineering from the University of Tennessee in
Knoxville, Tennessee in 2000. I have also completed a Masters in Urban and Regional

Planning from the University of Tennessee in 2004 as well as a Masters of Business Administration from Tennessee Tech University in Cookeville, Tennessee in 2012. I am a registered Professional Engineer in the State of Tennessee and the Commonwealth of Virginia.

I have been employed by Service Company in my current role since September 2019. Prior to that, I served as Engineering Manager for TAWC from April 2016 to September 2019. I began my career as a Consulting Engineer in the utility and environmental remediation field working for engineering firms in Knoxville, Tennessee and Lexington, Kentucky. In June 2004, I accepted a role as a Staff Engineer at the Virginia Department of Environmental Quality in Richmond, Virginia. In January 2007, I began working for the Knoxville Utilities Board (“KUB”) as a Project Engineer managing wastewater construction projects related to KUB’s 650 million dollar Wastewater Consent Decree Program. In 2010, I was promoted to Team Leader at KUB where I managed an engineering team working on construction projects for KUB’s Wastewater Consent Decree Program. In 2012, I was assigned as Team Leader for an engineering team who managed construction and planning projects for KUB’s water distribution system. Additionally, I served as a certified Level II Erosion Control Inspector responsible for managing erosion control inspections and ensuring constructions projects for all four of KUB’s utilities (gas, water, wastewater and electric) conformed to local, state and federal requirements. I also served as the main point of contact for both Water and Wastewater Engineering in regard to new service requests and projects. I am an active member of the American Water Works Association (AWWA) and American Society of Civil Engineers (ASCE).

Q. WHAT ARE YOUR DUTIES AS DIRECTOR OF ENGINEERING?

A. I am responsible for the coordination of the Engineering Departments for both TAWC and KAWC. This includes the planning, development, and implementation of construction projects. I also coordinate technical assistance to other Company departments as needed and oversee the development and implementation of the capital budgets. I report to the Presidents of TAWC and KAWC. I am located in Kentucky, but work very closely with the TAWC staff in Tennessee.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

A. The purpose of my testimony is to adopt the testimony previously filed in this matter by Brent E. O'Neill, P.E. supporting the Petition filed by TAWC regarding the Changes to the Qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider, and the Safety and Environmental Compliance Rider and in Support of the Calculation of the 2019 Capital Recovery Riders Reconciliation. A copy of Brent E. O'Neill, P.E.'s testimony is attached as Exhibit 1.

Q. ARE YOU FAMILIAR WITH THE TESTIMONY OF BRENT E. O'NEILL, P.E.?

A. Yes, I have reviewed the testimony of Brent E. O'Neill, P.E., including the exhibits, and I am familiar with its contents.

Q. IF ASKED THE SAME QUESTIONS AS ARE IN THE DIRECT TESTIMONY OF BRENT E. O'NEILL, P.E., WOULD YOU ANSWER EACH QUESTION THE SAME?

A. Yes, excepting that our professional backgrounds are different.

Q. DO YOU WISH TO ADOPT THE TESTIMONY OF BRENT E. O'NEILL, P.E. WITHOUT CHANGES?

A. Yes.

No further questions.

Exhibit 1

19-00031

TENNESSEE-AMERICAN WATER COMPANY, INC

CASE NO. 19-x

DIRECT TESTIMONY

OF

BRENT E O'NEILL, P.E.

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDERS, AND THE
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER AND IN SUPPORT OF
THE CALCULATION OF THE 2018 CAPITAL RIDERS RECONCILIATION**

SPONSORING PETITIONER'S EXHIBIT:

PETITIONER'S EXHIBIT 2018 SCEP RESULTS - BEO

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

2 A. My name is Brent E. O'Neill 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 the American Water Works Service Company ("Service Company") as
6 Director of Engineering for Tennessee American Water Company ("TAWC", or
7 "Company") and Kentucky American Water Company ("KAWC").

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

10 A. Yes. I provided both written testimony and oral testimony before the Tennessee Public
11 Utility Commission ("TPUC" or "Commission") in TPUC Docket Nos. 14-00121, 15-
12 00029, 15-00111, 16-00022, 16-00126, and 17-00020, and I've provided written
13 testimony in TPUC Docket Nos. 17-00124 and 18-00022. I have also provided both
14 written and oral testimony in several different proceedings before the Kentucky Public
15 Service Commission ("PSC"), including rate cases and applications for a Certificate of
16 Public Convenience and Necessity.

17 **Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL**
18 **BACKGROUND.**

19 A. I received a B.S. degree in Civil Engineering from the University of Illinois in Urbana,
20 Illinois in 1991. I completed a Masters of Business Administration from Eastern Illinois
21 University in Charleston, Illinois in 2002. I am a registered Professional Engineer in the
22 State of Tennessee, Commonwealth of Kentucky, State of Illinois and State of Iowa.

1 I have been employed by American Water Works Company ("AWW") or one of
2 its subsidiaries since 1996. I began as a Staff Engineer for Northern Illinois Water
3 Company ("NIWC") until 1999 when I was promoted to Engineering Manager for
4 Illinois American Water Company ("ILAWC"). In July 2004, I accepted the position of
5 Network Operations Manager for the Champaign County District of ILAWC. In June
6 2005, I accepted the position of Senior Asset Manager with AWW and worked in
7 Reading, England in a joint project with Thames Water. In 2006, I became the ILAWC
8 Project Manager for the construction of a new 15 MGD ground water softening treatment
9 plant, wells, and transmission main in Champaign, Illinois. In March 2008, I became the
10 Engineering Manager Capital Delivery with ILAWC with responsibilities for the delivery
11 of capital projects for the Central and Southern portions Illinois. In April 2013, I
12 accepted my current position as Director of Engineering for Tennessee American Water
13 Company and Kentucky American Water Company with the Service Company. I am an
14 active member of the American Water Works Association (AWWA) and American
15 Society of Civil Engineers (ASCE).

16 **Q. WHAT ARE YOUR DUTIES AS DIRECTOR OF ENGINEERING?**

17 A. I am responsible for the coordination of the Engineering Departments for both TAWC
18 and KAWC, which includes the planning, development, and implementation of all
19 aspects of construction projects. This includes working with all new main extensions and
20 developers, replacement mains, water treatment plant upgrades, new construction and
21 network facilities improvements. I coordinate technical assistance to all other company
22 departments as needed and oversee the capital budget development and implementation.

1 I report to the Presidents of TAWC and KAWC. I am located in Kentucky, but work
2 closely with the staff in Tennessee.

3 **Q. WHAT TOPICS WILL YOUR TESTIMONY ADDRESS?**

4 A. I will discuss the process for determining TAWC's capital investment plan, the oversight
5 for expenditures and changes to the plan, the level of capital expenditures for 2018, and
6 variances from the projected amounts in Docket No. 17-00124.

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

8 A. Yes I am. I am sponsoring the following exhibit:

9 **Petitioner's Exhibit – 2018 SCEP Results - BEO**

10
11 I will discuss this exhibit in further detail in my testimony below.

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

14 A. Yes.

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

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

6 **Q. CAN YOU DESCRIBE THE PROCESS FOR DETERMINING THE CAPITAL**
7 **INVESTMENT PLAN?**

8 A. Yes. The Company's capital investment plan can be divided into two distinct areas: 1)
9 normal recurring construction (RPs), and 2) major projects identified as investment
10 projects (IPs). Normal recurring construction includes water main installation for new
11 development, smaller main projects for reinforcement and replacement, service line and
12 meter setting installation, meter purchases and the purchase of tools, furniture, equipment
13 and vehicles.

14 Recurring construction costs are trended from historical and forecasted data.
15 Estimates are prepared for the installation of new mains, service lines, meter settings and
16 the purchase of new meters based on preliminary plats from the appropriate governmental
17 planning agencies and consultations with developers, homebuilders, and engineering
18 firms.

19 Purchase of tools, furniture, equipment, and vehicles are based on needs. Each
20 item is reviewed independently and an itemized list of expenditures is prepared.
21 Estimates are made based on current year pricing.

22 The major project needs are developed from the Comprehensive Planning Study
23 that identifies major improvements needed to ensure safe, dependable and reliable

1 operations of the facilities and allows the facilities to meet the regulatory requirements
2 for the production and distribution of drinking water. The projects identified within the
3 study are prioritized for importance and are placed in the budgets based on the available
4 capital remaining after the determination of the needed capital for the recurring
5 construction needs described above.

6 **Q. CAN YOU DESCRIBE HOW THE CONSTRUCTION BUDGET IS MONITORED**
7 **DURING THE YEAR?**

8 A. Since 2003, the entire American Water system has used a process for the development
9 and review of capital expenditures that has incorporated industry best practices. TAWC,
10 like its sister companies, has benefitted from that process. The process includes a
11 regional Capital Investment Management Committee ("CIMC") to ensure capital
12 expenditure plans meet the strategic intent of the business, which includes the
13 introduction of new technologies that result in increased efficiencies. In turn, this process
14 ensures that capital expenditure plans are integrated with operating expense plans, and
15 provides more effective controls on budgets and individual capital projects.

16 The CIMC includes the TAWC President, TAWC Director of Operations, TAWC
17 Engineering Manager, TAWC Engineering Project Manager, TAWC Financial Analyst,
18 and TAWC Operations Specialist. The CIMC meets monthly. The CIMC receives
19 capital expenditure plans from project managers and evaluates them as required by the
20 process. Once budgets are approved, the CIMC meets monthly to review capital
21 expenditures compared to budgeted levels. Discussions are held on variances to budgets
22 that include the reason for the variance and suggestions to bring the budget lines back in
23 line with the approved budget.

1 If changes in the budgets are required due to changes in priorities or unexpected
2 expenditures, then the CIMC reviews the request for changes and approves the movement
3 of available capital from other budget lines to offset the changes in the capital spend. All
4 projects, including normal recurring items, have an identified project manager
5 responsible for processing the stages of the project. The focus of the CIMC, along with
6 the monthly meetings, has allowed TAWC to be more flexible with changes that
7 inevitably occur during the course of implementation of projects while providing
8 oversight on capital expenditures.

9 As an added level of coordination, a Functional Sign-Off (“FSO”) Committee
10 meets monthly to sign-off on projects and review spending. This committee includes the
11 TAWC Director of Operations, the TAWC Engineering Manager, TAWC Engineering
12 Project Manager, TAWC Operations Specialist and the appropriate Distribution and
13 Operations supervisors and project managers. The purpose of the committee is to review
14 projects that are moving forward in the next step of approval, or that require a change.
15 This allows the project manager and operational area supervisors to communicate about
16 the project on a monthly basis and help coordinate projects from initial development
17 through in-service as compared to the approved budget and spending plan.

18 Both of these committees allow a continuous review of capital expenditures as
19 unexpected projects arise or the need to adjust projects to offset delays in other projects.
20 The use of the CIMC and FSO process allows TAWC to immediately address an increase
21 or decrease in projected spending in each line and make appropriate adjustments to
22 maintain the overall capital spend.

1 **Q. HOW DOES TAWC HIRE CONTRACTORS?**

2 A. All significant construction work done by independent contractors and significant
3 purchases are completed pursuant to a bid solicitation process. We maintain a list of
4 qualified bidders and we believe that our construction costs are very reasonable.
5 American Water Works (AWW) takes competitive bids for material and supplies that are
6 either manufactured or distributed regionally and nationally through its centralized
7 procurement group. We have the advantage of being able to purchase these materials and
8 supplies on an as-needed basis at favorable prices. In the past ten years, AWW also has
9 undertaken a number of procurement initiatives for services and materials to reduce costs
10 through either streamlined selection or utilization of large volume purchasing power.
11 Some of the initiatives that have directly influenced capital expenditures include the use
12 of master services agreements with pre-qualified engineering consultants, national
13 vehicle fleet procurement, and national preferred vendor identification.

14 **Q. ARE YOU FAMILIAR WITH THE FACILITIES AND ENGINEERING**
15 **OPERATIONS OF THE COMPANY IN EACH OF ITS SERVICE AREAS?**

16 A. Yes.

17 **Q. WHAT CONTROLS ARE IN PLACE TO REVIEW THE PROGRESS OF A**
18 **PROJECT?**

19 A. The CIMC and FSO meetings described above are used to oversee the progress of
20 projects from inception to completion. Along with the review of the capital expenditures,
21 the committee also reviews the requirements of an investment project and ensure that the
22 projects meet the business need for expenditure and usefulness. The process includes
23 five stages of project review: 1) a Preliminary Need Identification defining the project at
24 an early stage; 2) a Project Implementation Proposal that confirms all aspects of the

1 project are in a position to begin work; 3) Project Change Requests, if needed (if the cost
2 changes more than 5% or \$100,000); 4) a Post Project Review; and 5) Asset
3 Management. TAWC personnel handle all of the stages, with oversight by the CIMC and
4 FSO Committees.

5 **Q. WHAT CONTROLS ARE IN PLACE TO MAKE SURE PROPOSED PROJECTS**
6 **ARE IN THE PUBLIC INTEREST?**

7 A. Through the budgeting and planning process a broad and comprehensive review of
8 facility needs is conducted to establish a general guide for needed improvements over a
9 short-term horizon. These improvements are prioritized by TAWC to allow it to:
10 provide safe, adequate, and reliable service to its customers to meet their domestic,
11 commercial, and industrial needs; provide flows adequate for fire protection; satisfy all
12 regulatory requirements; and enhance economic growth. The plan provides a general
13 scope of each project along with a preliminary design. The criteria for evaluating the
14 various system improvements are engineering requirements; consideration of national,
15 state, and local trends; environmental impact evaluations; and water resource
16 management.

17 The engineering criteria used are accepted engineering standards and practices
18 that provide adequate capacity and appropriate levels of reliability to satisfy residential,
19 commercial, industrial, and public authority needs, and provide flows for fire protection.
20 The criteria are developed from regulations, professional standards, and company
21 engineering policies and procedures.

22 **Q. OVERALL, HOW DID TAWC DO WITH REGARD TO ITS CONSTRUCTION**
23 **BUDGET COMPARED TO ACTUAL EXPENDITURES?**

1 A. For 2018, TAWC ended the year with a net capital expenditures of \$19,921,149
2 compared to an approved budget of \$19,433,579 resulting in a total capital expenditure
3 spend of \$487,570 or 2.51% over the originally approved budget. With regard to the total
4 Rider net capital expenditure, TAWC ended the year with a net Rider capital expenditure
5 of \$13,546,799 compared to an anticipated rider spend of \$13,053,960 resulting in a rider
6 spend of \$492,839 or 3.78% over the originally anticipated Rider plan.

7 **Q. HOW DID TAWC PERFORM WITH REGARD TO ITS ACTUAL**
8 **EXPENDITURES COMPARED TO THE BUDGETED CAPITAL**
9 **EXPENDITURES FOR THE QIIP RIDER AND PROVIDE DETAIL OF ANY**
10 **VARIANCES?**

11 B. The 2018 QIIP Rider expected spend was projected at \$9,783,770 with an actual spend of
12 \$10,464,716 resulting in a total QIIP expenditure spend of \$680,946 or 6.96% over the
13 originally QIIP anticipated budget.

14 **Q. WERE THERE ANY CHANGES IN THE PROJECTED WORK THAT WAS**
15 **ORIGINALLY BUDGETED FOR THE QIIP RIDER?**

16 A. Yes. The Tennessee River Transmission Main Crossing Project under the Qualified
17 Infrastructure Investment Program was not placed in-service when originally anticipated
18 in 2018 due to delays caused by weather and the project cost was higher than originally
19 anticipated.

20 **Q. WHAT WAS THE CHANGE IN PROJECT COSTS?**

21 A. TAWC had originally budgeted \$2,414,209 for the Tennessee River Transmission Main
22 Crossing. In early 2018, upon incorporation of the final geotechnical information and the
23 addition of a construction technique to maintain the Chattanooga Riverwalk corridor

1 during construction, the anticipated project cost was estimated at \$3.33 million. Bids
2 were received from three contractors during early 2018 and the low bidder for the work
3 provide an anticipated cost of \$3.27 million.

4 **Q. HOW DID TAWC PROPOSE TO ADDRESS THE ADDITIONAL COST OF THE**
5 **TENNESSEE RIVER PROJECT?**

6 A. In order to offset the additional cost of the Tennessee River Transmission Main Project it
7 was determined to delay the rehabilitation of Aldrich Unit 6 that was originally planned
8 for the Capitalized Tank Rehabilitation/ Painting – Line R. The delay in the Aldrich Unit
9 6 rehabilitation allowed for a reduction of approximately \$0.9 million to offset the
10 expected \$0.9 million increase of the Tennessee River Transmission Project.

11 **Q. WAS THE TENNESSEE RIVER TRANSMISSION MAIN PROJECT PLACED IN**
12 **SERVICE AS EXPECTED IN 2018?**

13 A. No. TAWC anticipated that the Tennessee River Transmission Main Project would be
14 placed in service during 2018. As expected , TAWC received the TVA 26A Permit
15 during the first part of 2018 and construction commenced as anticipated in time for the
16 expected construction duration of approximately 6 months. Unfortunately, the Tennessee
17 River Valley experienced its wettest year on record for the Tennessee Valley with 67.01
18 inches of rain, approximately 18 inches more than the 20-year average. As a result of the
19 wet weather, TVA significantly increased releases from its dams to ensure flood
20 prevention throughout the river systems it manages. This resulted in extended periods of
21 increased river flow and water levels. The increased flow and water level impacted the
22 safety of divers working within the river to place the transmission main. Work was
23 suspended for extended periods as the amount of water being released by the dam

1 upstream of the project exceed the maximum 50,000 cubic feet per second (cfs) safety
2 threshold. As a result of the lost time caused by high river flows, the project was delayed
3 approximately 6 weeks and is expected to be completed during the first part of 2019,
4 weather depending.

5 **Q. DID THE DELAY CAUSE A CHANGE IN THE ANTICIPATED SPEND FOR**
6 **THE TENNESSEE RIVER TRANSMISSION MAIN PROJECT?**

7 A. No. A majority of the project construction was completed during 2018 resulting in the
8 capital spend for the project to be as expected. The main impact on the Tennessee River
9 Transmission Main Project not being placed in service during December 2018, is to the
10 cumulative plant additions, and is reflected in Petitioner's Exhibit Capital Riders
11 Reconciliation attached to Ms. Elaine Chambers testimony.

12 **Q. WHAT CAUSED THE LINE C MAIN – UNSCHEDULED TO HAVE A HIGHER**
13 **THAN EXPECTED SPEND?**

14 A. Line C Main – Unscheduled main repairs experienced a significant increase in January
15 2018 due to extremely cold weather. The Company experienced 96 main breaks,
16 compared to a 10 year average of 61 main breaks during January. Paving restoration
17 specifications changes from the City of Chattanooga during the last of half of 2018 had a
18 significant impact on the cost of projects carried out for unscheduled main repairs. The
19 new ordinance required an increase are of pavement restoration that was not planned with
20 the original budget was developed in 2017.

1 **Q. HOW DID TAWC DO WITH REGARD TO ITS ACTUAL EXPENDITURES**
2 **COMPARED TO THE BUDGETED CAPITAL EXPENDITURES FOR THE EDI**
3 **RIDER AND PROVIDE DETAIL OF ANY VARIANCES?**

4 **A.** The EDI expected spend was projected at \$1,096,000 with an actual spend of \$663,183 or
5 39.5% under the projected Budget Capital Expenditures. The under spend was mostly
6 due a delay in the construction of the 6,000 lineal foot of 12-inch main extension along
7 Highway 283 in Whitwell. This project will allow the Company to improve redundancy
8 and system hydraulics between eastern and western portions of the Whitwell Service
9 Area. It was ranked as a high priority in the Whitwell Comprehensive Planning Study
10 ("CPS"). The project was delayed due to ongoing discussion with the Tennessee
11 Department of Transportation concerning the techniques and methods to cross the
12 Sequatchie River for a portion of the project. The initial design of utilizing the existing
13 bridge structure to assist in crossing the Sequatchie River was denied resulting in a need
14 to redesign the crossing portion of the project and obtain the necessary permitting. It is
15 expected that the project will commence during 2019.

16 **Q. HOW DID TAWC PERFORM WITH REGARD TO ITS ACTUAL**
17 **EXPENDITURES COMPARED TO THE BUDGETED CAPITAL**
18 **EXPENDITURES FOR THE SEC RIDER AND PROVIDE DETAIL OF ANY**
19 **VARIANCES?**

20 **A.** The original SEC expected spend was projected at \$2,174,190 with an actual spend of
21 \$2,418,900 or 11.3% over the originally projected amount. The major variance in the
22 SEC Rider was caused by managing the delay in spend for the Chlorine Gas Conversion
23 project that is anticipated to be placed in service during 2019. TAWC was able to offset

1 some of the delay in the expected start of the Chlorine Gas Conversion project with the
2 initiation of the final four Citico Filter Underdrains replacement projects that will be
3 completed in 2019.

4 **Q. CAN YOU PROVIDE SPECIFIC INFORMATION ABOUT THE ACTUAL**
5 **CAPITAL EXPENDITURES COMPARED TO THE BUDGETED CAPITAL**
6 **EXPENDITURES?**

7 A. Yes. I have attached to my testimony Petitioner's Exhibit 2018 SCEP Results – BEO.
8 This exhibit provides a comparison of the 2018 Strategic Capital Expenditures Plan with
9 Actual Capital Expenditures by recurring project lines and investment project lines.

10 **Q. WHY ARE CERTAIN PROJECTS SOMETIMES DELAYED AND CHANGES**
11 **OCCUR IN THE ACTUAL CAPITAL EXPENDITURES COMPARED TO THE**
12 **BUDGETED EXPENDITURES?**

13 A. During any given year, unexpected changes in priorities may occur due to outside
14 influences, or recognition of unfavorable trends, that are occurring and affect the
15 infrastructure or ability to serve the customer. The majority of such unexpected changes
16 are caused by conflicts between the company's infrastructure and outside agencies'
17 projects or changes that occur in the community that effect the schedule or scope of a
18 planned project. In both of these cases, a previously unbudgeted new priority project is
19 initiated to address the need or an existing project effort is increased or decreased. Since
20 these changes were not identified during the original budgeting process, the need to offset
21 the new efforts expected cost is required to ensure that the overall company budget is
22 maintained. As a result, projects that were originally identified within the budget are

1 changed or delayed to make room for the new, unexpected projects or a change in an
2 existing project.

3 **Q. WHAT IS THE PROCESS FOR APPROVING THESE CHANGES?**

4 A. Throughout the year, TAWC actively manages each budget line to ensure that the overall
5 spending is consistent with the approved budget levels. The management of the budget
6 lines is carried out during monthly Capital Investment Management Committee
7 (“CIMC”) meetings that compare the current capital expenditures to the budgeted levels. If
8 changes in the budgets are required due to changes in priorities or unexpected changes in
9 projects, the committee reviews the need for the changes and approves or disapproves, as
10 the case may be, the movement of available capital from other budget lines to offset the
11 changes in capital spend and maintain the overall projected spend for the year.

12 **Q. CAN YOU PROVIDE THE OVERALL AMOUNT OF IN SERVICE PLANT FOR**
13 **2018?**

14 A. Yes. TAWC was able to ensure that capital spending on projects led to those projects
15 being implemented and placed in service. TAWC utilized the FSO process to manage
16 projects and make sure that approved capital spending was utilized on projects that would
17 be placed in service in a timely manner. With regard to the Capital Recover Riders and
18 the projected level of expenditures compared to those projects that were implemented and
19 placed in service, the overall variance with projects placed in service compared with the
20 projected spend for all three riders was 2.25%, matching the capital spend variance
21 previously discussed. In sum, this means that TAWC was able to place in service the
22 projects that were part of the capital spending for 2018. This is the cumulative plant

1 additions, and is reflected in Petitioner's Exhibit Capital Riders Reconciliation—EKC
2 attached to Ms. Elaine Chambers testimony.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A. Yes.**

5

STATE OF KENTUCKY)
)
COUNTY OF FRYETTE)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Brent E. O'Neill, P.E., being by me first duly sworn deposed and said that:

He 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, his testimony would be as set forth in his pre-filed testimony in this matter.



Brent E. O'Neill, P.E.

Sworn to and subscribed before me
this 28th day of February, 2019.



Notary Public

My Commission Expires: 7/25/2020

CAPITAL EXPENDITURE PLAN
Actual to Budget
Tennessee 2018
Units = \$

Project Code	Brief Description of Proposed Expenditures	Rider	Year to Date Actual (4)	Year to Date Original Budget (3)	Year to Date Original Variance (4-3)
DV	Projects Funded by Others (Contrib. /Adv./ Refunds)	None	1,327,350	1,000,000	327,350
A	Mains - New	EDI	582,798	963,000	(380,202)
B	Mains - Replaced / Restored	QIIP	963,004	1,725,000	(761,996)
C	Mains - Unscheduled	QIIP	1,823,140	1,029,000	794,140
D	Mains - Relocated	QIIP	331,468	110,000	221,468
E	Hydrants, Valves, and Manholes - New	EDI	80,385	133,000	(52,615)
F	Hydrants, Valves, and Manholes - Replaced	QIIP	179,934	422,000	(242,066)
G	Services and Laterals - New	-	1,074,933	993,000	81,933
H	Services and Laterals - Replaced	QIIP	458,271	630,250	(171,979)
I	Meters - New	-	268,488	237,700	30,788
J	Meters - Replaced	QIIP	2,751,215	2,255,940	495,275
K1	ITS Equipment and Systems	-	210,859	191,851	19,008
K3	ITS CS Projects	-	1,958,826	1,380,871	577,955
L	SCADA Equipment and Systems	SEC	157,058	160,000	(2,942)
M	Security Equipment and Systems	SEC	163,857	150,000	13,857
N	Offices and Operations Centers	-	91,527	15,000	76,527
O	Vehicles	-	749,699	619,000	130,699
P	Tools and Equipment	-	85,978	160,000	(74,022)
Q	Process Plant Facilities and Equipment	SEC	1,719,977	890,000	829,977
R	Capitalized Tank Rehabilitation / Painting	QIIP	62,589	1,000,000	(937,411)
S	Engineering Studies	-	(191,548)	50,000	(241,548)
	TOTAL RECURRING PROJECTS DV - S		14,849,808	14,115,612	734,196
	TOTAL RECURRING PROJECTS A - S		13,522,458	13,115,612	406,846
I26-020034	Tennessee River Crossing	QIIP	3,711,243	2,414,209	1,297,034
I26-020039	Repl Basin 1 & Plate Settlers	QIIP	170,146	2,322,197	(2,152,051)
I26-020040	Chlorine Gas Conversion	SEC	380,825	974,190	(593,365)
I26-020045	Remove Filter Bldg 3	QIIP	183,852	0	183,852
I26-020046	New Field Services Facility	-	0	197,371	(197,371)
I26-020050	New Operations Facility - Land Purchase, Chattanooga	-	1,669,167	0	1,669,167
I26-050002	Facility Upgrades @ Whitwell WTP	SEC	(146,103)	0	(146,103)
I26-050004	Replace 0.1 MG Storage Tank @ Whitwell	SEC	143,286	0	143,286
I26-000002	Post Acquisition BD Capex	-	0	0	0
I26-050050	Whitwell Operation Center	-	251,858	0	251,858
	TOTAL INVESTMENT PROJECTS		6,364,274	5,907,967	456,307
	Indirect Overhead Clearing Accounts Charges		(57,166)	0	(57,166)
	TOTAL GROSS		21,156,916	20,023,579	1,133,337
	Contributions		(645,447)	(240,000)	(405,447)
	Advances		(812,220)	(700,000)	(112,220)
	Refunds		221,900	350,000	(128,100)
	Net Advances, Refunds, and Contributions		(1,235,767)	(590,000)	(645,767)
	Net US GAAP		19,921,149	19,433,579	487,570

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 Kurt A. Stafford, being by me first duly sworn deposed and said that:

He 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, his testimony would be as set forth in his pre-filed testimony in this matter.

Kurt Stafford
Kurt A. Stafford

Sworn to and subscribed before me
this 22 day of October, 2019.

Christina Zucapio Juan
Notary Public

My Commission Expires: 8/6/2022

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
Karen H. Stachowski
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
Karen.Stachowski@ag.tn.gov

This the 23rd day of October, 2019.



Melvin J. Malone