

Electronically Filed In TPUC Docket Room On May 3, 2019 at 4:02 p.m.

May 3, 2019

**VIA ELECTRONIC FILING**

TPUC.DocketRoom@tn.gov

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

**RE: *Petition of Tennessee-American Water Company for Approval of and Authority to Borrow Up to \$50,000,000 to Finance Additions and Improvements to Facilities and Acquisitions and to Repay Short-Term Indebtedness Pursuant to T.C.A. § 65-4-109, Docket No. 19-00041***

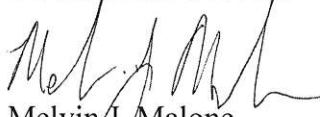
Dear Chairman Morrison:

Attached for filing please find the *Pre-filed Testimony of Elaine K. Chambers* in the above-captioned docket.

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

Attachment

cc: Elaine Chambers, Tennessee-American Water Company

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

**DOCKET NO. 19-00041**

**DIRECT TESTIMONY**

**OF**

**ELAINE K. CHAMBERS**

**ON**

**PETITION OF TENNESSEE-AMERICAN WATER COMPANY FOR APPROVAL OF  
AND AUTHORITY TO BORROW UP TO \$50,000,000 TO FINANCE ADDITIONS AND  
IMPROVEMENTS TO FACILITIES AND ACQUISITIONS AND TO REPAY SHORT-  
TERM INDEBTEDNESS PURSUANT TO T.C.A. § 65-4-109**

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, Inc. (“Service Company”).**  
6       Service Company is a wholly owned subsidiary of American Water Works Company,  
7       Inc. (“American Water”) that provides services to Tennessee-American Water Company  
8       (“TAWC” or “Company”) and its affiliates. My current role is Director, Rates and  
9       Regulatory for Tennessee and Kentucky.

10  **Q.    HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS OR ANY**  
11  **OTHER COMMISSION?**

12  **A.    Yes. I submitted an affidavit in support of Federal Energy Regulatory Commission**  
13       proceeding EL05-55-001, while employed by the Midcontinent Independent System  
14       Operator (“MISO”). I also submitted testimony for Indianapolis Power and Light  
15       Company’s case in chief in the following Cause Nos.: 44576, 44893, and 45029. I have  
16       also submitted testimony for TPUC Docket Nos. 19-00010, 18-00120 and 19-00031.

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

19  **A.    I have a Bachelor of Science degree from the University of Indianapolis in Accounting. I**  
20       also have a Master’s of Business Administration from the University of Indianapolis, and  
21       I am a Certified Public Accountant in the State of Indiana.

22       I have twenty-one years of experience at Indianapolis Power and Light Company, twelve  
23       of which have been in the Rates area. I also have experience in energy consulting with

1 Andersen and Black & Veatch. While employed by MISO, I managed the transmission  
2 and market settlement functions, along with dispute resolution. At Exelon, I managed  
3 various Information Technology initiatives, which included merger and acquisition  
4 responsibilities.

5 **Q. WHAT ARE YOUR DUTIES AS DIRECTOR, RATES AND REGULATORY?**

6 **A.** My primary responsibilities encompass the coordination of regulatory issues in  
7 Tennessee and Kentucky. This includes coordinating all reports and filings, working  
8 with regulatory staff to make sure that all information produced addresses the  
9 requirements or requests, and overseeing the preparation and filing of rate cases and tariff  
10 changes. I work with the senior management in both states on planning. I am also  
11 responsible for keeping abreast of changes in regulation, or trends in regulatory oversight  
12 across the United States that may impact our local operations. I report to the Presidents  
13 of KAWC and Tennessee American Water (“Tennessee American,” “TAWC,” or  
14 “Company”). I am located in Kentucky, but work closely with the TAWC staff in  
15 Tennessee as well.

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

17 **A.** The purpose of my testimony is to support the proposed long-term debt financing petition  
18 (the “Petition”) and accompanying exhibits submitted by TAWC in this docket on March  
19 25, 2019. The Petition, if approved by the Commission, will allow the Company to  
20 continue its participation in the American Water Capital Corp. (“AWCC”) borrowing  
21 program; specifically, to issue Company Securities<sup>1</sup> in an aggregate principal amount of  
22 up to \$50,000,000 from time to time through the period ending December 31, 2023.

---

<sup>1</sup> “Company Securities” is defined in paragraph 11, page 4 of the Petition.

1   **Q.    PLEASE DESCRIBE AWCC.**

2   **A.**AWCC is a wholly-owned subsidiary of American Water, and is dedicated to providing  
3       financial services to American Water's subsidiaries, including TAWC. Because TAWC  
4       is also a wholly-owned subsidiary of American Water, it is an affiliate of AWCC.

5   **Q.    FOR WHAT PURPOSES WILL THE COMPANY BE ISSUING THESE**  
6       **SECURITIES?**

7   **A.**The purposes for which TAWC proposes to issue the Company Securities are to finance  
8       additions and improvements to the Company's plant, property, equipment and facilities,  
9       to finance the acquisition of additional facilities, and to pay down short-term debt.  
10       Specifically, as of December 31, 2018, the Company had outstanding short-term debt of  
11       \$4,155,920, which will be refinanced with long-term debt subsequent to the  
12       Commission's approval of the Petition. The remaining balance of the \$50,000,000  
13       borrowing authority requested in this case is \$45,844,080 and represents the internal cash  
14       requirement of the Company, which will be driven primarily by capital improvement  
15       spending for utility plant additions.

16   **Q.    PLEASE FURTHER DESCRIBE THE LONG-TERM DEBT THAT MAY BE**  
17       **ISSUED?**

18   **A.**Among other specifics set forth in the Petition, it is anticipated that the first issue of  
19       Company Securities will occur during the second quarter of 2019 and as required  
20       thereafter through December 31, 2023. The maturity of the Company Securities will not  
21       be more than 50 years from the nominal date of issue, with the expectation that the  
22       maturity dates will be from 1 to 35 years, depending upon market conditions. The  
23       interest rates on the Company Securities will be the same as those borne by the AWCC

1 Securities from which the Company Securities will be funded and will be determined by  
2 market conditions at the time of issuance. Based upon current market conditions, it is  
3 anticipated that the AWCC Securities will be sold carrying an interest rate spread of  
4 approximately 100-200 basis points above the interest rate borne by United States  
5 Treasury securities of similar tenor. The AWCC securities will be issued in a transaction  
6 of sufficient size to obtain the most favorable market rates possible in the circumstances.

7 **Q. WILL TAWC INCUR EXPENSES RELATED TO ISSUANCE OF THE**  
8 **COMPANY SECURITIES?**

9 **A.** Yes. Under the Financial Services Agreement, which is attached to the Petition as  
10 Exhibit 2, TAWC will pay AWCC an amount to cover TAWC's pro-rata share of the  
11 expenses of the financing incurred by AWCC. Estimated expenses in connection with a  
12 TAWC issuance include legal fees, accountants' fees, underwriters' or agents' fees, and  
13 miscellaneous fees and expenses, which in the aggregate are not expected to exceed 2%  
14 of the principal amount of the Company Securities.

15 **Q. WILL THIS LONG-TERM DEBT BE SECURED?**

16 **A.** No. The Company Securities, which will be in the form of promissory notes issued by  
17 TAWC to AWCC, will not be secured by a mortgage, lien, or encumbrance on TAWC's  
18 properties in the State of Tennessee.

19 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE COMPANY'S**  
20 **PARTICIPATION IN AWCC'S BORROWING PROGRAM?**

21 **A.** Yes, it has. The Commission granted approval to TAWC to borrow through AWCC in  
22 Docket Nos. 00-00637, 06-00305, 09-00073, and 14-00061. These cases are noted in  
23 Paragraphs 11 through 14 of the Petition.

1 **Q. UNDER AWCC's BORROWING PROGRAM, IS THE COMPANY PRECLUDED**  
2 **FROM BORROWING FROM THIRD PARTIES?**

3 **A.** No, it is not. As noted in Paragraph 10 of the Petition, the Company's participation in the  
4 AWCC borrowing program does not preclude it from borrowing from third parties. In  
5 fact, the Company is not required to borrow any amount from AWCC. Further, the  
6 Company may terminate its participation in the AWCC borrowing program upon ten (10)  
7 days written notice.

8 **Q. PLEASE SUMMARIZE HOW THE APPROVAL OF THE PETITION WOULD**  
9 **BENEFIT TAWC's CUSTOMERS?**

10 **A.** As noted previously, proceeds from the proposed Company Securities are for the  
11 acquisition of property, the construction, completion, extension or improvements or  
12 additions to its facilities, and other capital investments, all of which shall be necessary  
13 and proper for the provision of public water supply service, and the improvement or  
14 maintenance of its service to its customers.

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

16 **A.** I recommend that the Commission approve the Petition as submitted.

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

18 **A.** Yes, it does.

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 3rd day of May, 2019.

Sharon Miller  
Notary Public

My Commission Expires: 7/25/2020