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March 23, 2020

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 2020 Investment and Related Expenses Under the Qualified Infrastructure Investment Program Rider, the Economic Development Investment Rider and the Safety and Environmental Compliance Rider, TPUC Docket No. 19-00105*

Dear Chairman Morrison:

Please find attached for filing the *Rebuttal Testimonies of TAWC Witnesses Elaine K. Chambers and Kurt A. Stafford* 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

clw

Attachments

cc: Elaine Chambers, TAWC

Daniel P. Whitaker III, Assistant Attorney General, Financial Division, Consumer Advocate Unit

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PETITIONER'S EXHIBIT EKC-2

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 19-00105

REBUTTAL TESTIMONY

OF

ELAINE K. CHAMBERS

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE INVESTMENT PROGRAM
RIDER, THE ECONOMIC DEVELOPMENT INVESTMENT RIDER, AND THE
SAFETY AND ENVIRONMENTAL COMPLIANCE RIDER**

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. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
5 **BEHALF OF TENNESSEE AMERICAN WATER COMPANY (“TENNESSEE**
6 **AMERICAN,” “TAWC” OR THE “COMPANY”)?**

7 A. Yes. I filed direct testimony in this Docket on November 15, 2019.

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

9 A. The purpose of my testimony is to address Mr. David Dittemore’s Pre-filed Testimony,
10 including the recommendations made therein, on behalf of the Consumer Advocate Unit in
11 the Financial Division of the Tennessee Attorney General’s Office (“Consumer Advocate”
12 or Consumer Advocate’s Office). Specifically, I will comment briefly on 1) TAWC’s
13 proposal for the EADIT tax savings and 2) The Generic Docket proceeding No. 19-00103.

14 **Q. WHAT IS TAWC’s POSITION ON THE AMOUNT OF THE EADIT CREDIT**
15 **PROPOSED BY MR. DITTEMORE ON PAGES 2-3 AND 4-5 OF HIS PRE-FILED**
16 **TESTIMONY?**

17 A. Please see TAWC’s responses to the First Staff Data Request to TAWC filed on March 20,
18 2020 in Docket No. 18-00039. We have calculated the credit based on the three scenarios
19 requested by Commission Staff in DRs 2, 3 and 4. Depending on the path the Commission
20 chooses to take, the credit will vary as shown. TAWC does not agree with Mr. Dittemore’s
21 calculation of a credit of 6.07%. TAWC’s position on the EADIT Credit are set forth in
22 detail in TPUC Docket No. 18-00039.

1 **Q. DID MR. DITTEMORE REFERENCE TPUC DOCKET NO. 19-00103 IN HIS PRE-**
2 **FILED TESTIMONY? IF SO, ARE THE PARTIES ENGAGED IN DOCKET 19-**
3 **00103.**

4 A. Yes, Mr. Dittemore referenced Docket No. 19-00103 several times in his Pre-filed
5 Testimony, including on pages 3, 6, and 9. And yes, TAWC and the Consumer Advocate's
6 Office are working collaboratively in Docket No. 19-00103 to consider and evaluate
7 various possibilities to streamline the filing process of the capital riders and to consider
8 and evaluate potential modifications to the capital riders in light of the issues and concerns
9 raised by the Consumer Advocate's Office in TPUC Docket No. 18-00120. TAWC looks
10 forward to continuing constructive, productive and timely dialogue with the Consumer
11 Advocate.

12 **Q. IN HIS PRE-FILED TESTIMONY, DID MR. DITTEMORE RE-ASSERT, AS AN**
13 **ASIDE COMMENT, THE RATE BASE ISSUE THAT THE CONSUMER**
14 **ADVOCATE RAISED IN TPUC DOCKET NO, 18-00120?**

15 A. Yes. As the rebuttal witness for TAWC, I addressed this issue in detail in my re-filed
16 Rebuttal Testimony in Docket No. 18-00120. The issue that Mr. Dittemore re-asserts here
17 is, along with the other concerns raised by the Consumer Advocate in Docket No. 18-
18 00120, one of the issues to be considered by the Consumer Advocate and TAWC in Docket
19 No. 19-00103.

20 **Q. MR. DITTEMORE HAS COMMENTS IN HIS PRE-FILED TESTIMONY ABOUT**
21 **THE REPLACEMENT OF AGING INFRASTRUCTURE. WHO WILL ADDRESS**
22 **THOSE COMMENTS?**

23 A. TAWC Witness Kurt Stafford.

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

2 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

Sworn to and subscribed before me
this 25th day of March, 2020.


Notary Public

My Commission Expires: 7/25/2020

PETITIONER'S EXHIBIT KAS-2

TENNESSEE-AMERICAN WATER COMPANY, INC

DOCKET NO. 19-00105

REBUTTAL TESTIMONY

OF

KURT A. STAFFORD, P.E.

ON

**CHANGES TO THE QUALIFIED INFRASTRUCTURE IMPROVEMENT PROGRAM
RIDER, ECONOMIC DEVELOPMENT INVESTMENT RIDER AND SAFETY AND
ENVIRONMENTAL COMPLIANCE RIDER**

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

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

4 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
5 **BEHALF OF TENNESSEE AMERICAN WATER COMPANY (“TENNESSEE**
6 **AMERICAN,” “TAWC” OR THE “COMPANY”)?**

7 A. Yes. I filed direct testimony in this Docket on November 15, 2019.

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

9 A. The purpose of my testimony is to address statements made in Mr. David Dittemore’s pre-
10 filed testimony regarding TAWC’s rate of replacement for aging infrastructure.

11 **Q. MR. DITTEMORE STATES IN HIS PRE-FILED TESTIMONY (PAGE 8, LINES**
12 **1-17) THAT TAWC HAS NOT SHOWN EVIDENCE TO SUGGEST IT IS**
13 **REPLACING AGING INFRASTRUCTURE ON AN ACCELERATED BASIS AS**
14 **CLAIMED BY THE COMPANY. WOULD YOU AGREE WITH THIS**
15 **STATEMENT?**

16 A. No. If you look solely at Budget Line B – Mains Replaced/Restored spending, the four-
17 year average yearly spend leading up to the 2013 Capital Recovery Rider Petition (2009-
18 2012) was approximately 1 million dollars. The average yearly spend since the Capital
19 Recovery Riders were instituted in 2014, including the projected 2020 spend, is
20 approximately 1.7 million dollars. The projected Budget Line B spend for 2020 is
21 \$3,000,000 as shown in Petitioner’s Exhibit – 2020 SCEP - KAS. Therefore, it is difficult
22 to argue that there has not been accelerated spending on Budget Line B. In his pre-filed

1 testimony, Mr. Dittmore draws a distinction between distribution and transmission mains.
2 I will address this distinction later in my testimony.

3 **Q. MR. DITTEMORE STATES THAT AT ITS CURRENT PIPE REPLACEMENT**
4 **RATE IT WILL TAKE THE COMPANY OVER 100 YEARS TO REPLACE ALL**
5 **THE MAINS CURRENTLY GREATER THAN 50 YEARS OLD. WOULD YOU**
6 **AGREE WITH THIS STATEMENT?**

7 A. No. The Company plans to continue increasing Budget Line B – Mains Replaced/Restored
8 spend as critical production and water treatment projects are completed. This is an issue I
9 will elaborate on later in my testimony. However, focusing only on the age of water pipes
10 does not tell a comprehensive story with regard to the system's performance or reliability.
11 In fact, pipe age is only one of many criteria TAWC uses to strategically identify which
12 pipes it will replace each year.

13 **Q. CAN YOU ELABORATE ON HOW TAWC PRIORITIZES PIPE REPLACEMENT**
14 **PROJECTS?**

15 A. Certainly. Cast iron and galvanized pipes have been determined by the Company to cause
16 a disproportionate amount of leaks within the TAWC system. TAWC has developed a pipe
17 prioritization model which statistically ranks each pipe for potential replacement.
18 Evaluation criteria include many factors such as pipe material, break history, number of
19 Customers connected to the pipe, pipe age, and pressure, as well as several others.
20 Galvanized and cast iron mains are given a higher preference for replacement. The model
21 is updated several times a year as new data becomes available. By strategically and
22 systematically replacing pipes through the Capital Recovery Riders, the Company has been
23 able to see many beneficial results for Customers.

1 **Q. ON PAGE 8, LINES 4-17, MR. DITTEMORE DRAWS A DISTINCTION**
2 **BETWEEN DISTRIBUTION AND TRANSMISSION PIPES. WOULD YOU**
3 **PLEASE COMMENT ON THIS?**

4 A. Yes. Generally, a reference to distribution mains means pipes used to convey drinking
5 water from transmission mains to customer connections and provide fire flow, while a
6 reference to transmission mains means pipes used to convey large flows between facilities,
7 such as water treatment plants and pump stations, to distribution mains to meet Customer
8 demand. The Company classifies any pipe 16-inch or larger as transmission. However, the
9 pipe prioritization model does not distinguish between the two. Transmission main tend
10 to experience less frequent breaks. The pipe walls of transmission mains are much thicker
11 than distribution mains, which allows them to be much more resistant to ground shift which
12 causes many main breaks, especially in winter and summer months. Also, transmission
13 mains have few taps and services, which eliminates potential weak spots between pipe
14 joints. For numerous reasons, all mains are subject to the same evaluation criteria.

15 **Q. WHAT KIND OF RESULTS HAS THE COMPANY SEEN FROM**
16 **ACCELERATED PIPE REPLACEMENT UNDER THE CAPITAL RECOVERY**
17 **RIDERS?**

18 A. As I noted in my direct testimony for TPUC Docket 19-00105 (Page 15, Lines 332-348),
19 water main breaks within the TAWC system are decreasing year-over-year as more
20 galvanized and cast iron pipes are removed from the system. In fact, since the onset of the
21 Capital Recovery Riders in 2014, over 9% of the total galvanized and cast iron in the
22 system has been removed and main breaks from these two types of pipe are down by about
23 12%. Furthermore, the total yearly main breaks were down in 2018 and 2019, as compared

1 to the previous year's ten-year averages, by 22% and 26%, respectively. These results
2 benefit Customers by decreasing Customer disruption and enhancing system reliability.
3 Spending on Budget Line C – Mains Unscheduled has also proactively allowed the
4 company to replace problematic sections of main during unscheduled events, which could
5 have otherwise caused additional mains breaks and Customer disruption.

6 **Q. MR. DITTEMORE DISCUSSES “AGING INFRASTRUCTURE” IN TERMS OF**
7 **PIPE REPLACEMENT. WOULD YOU AGREE WITH THIS**
8 **CHARACTERIZATION?**

9 A. No. Water infrastructure includes not only pipe, but many other critical assets required to
10 deliver drinking water to Customers. These assets include, but are not limited to, hydrants,
11 valves, service lines, storage tanks, booster pump stations, generators and treatment
12 facilities. The entire list would be extensive. Each and every one of these components are
13 critical to TAWC's mission of providing safe, adequate and reliable water to its Customers.
14 The Capital Recovery Riders are intended to address all of these assets in a holistic
15 approach to replacing aging infrastructure. No one type of asset is any more important
16 than the other.

17 **Q. WHY IS BALANCING THE REPLACEMENT OF ALL THESE WATER**
18 **INFRASTRUCTURE COMPONENTS SO IMPORTANT?**

19 A. Each year, as Mr. Dittemore acknowledges in his pre-filed testimony (Page 7, Lines 13-
20 18), TAWC prioritizes capital projects to prudently balance the need for infrastructure
21 replacement with system safety, reliability and Customer impact. This balance also applies
22 to all the water infrastructure components noted above. At the outset of the Capital
23 Recovery Riders, there was a significant amount of production or water treatment projects

1 that needed to be completed. These projects typically fall under Budget Line Q – Process
2 Plant Facilities and Equipment or individual Investment Projects or IPs. These are capital
3 intensive projects that support water treatment at the plants, as well as remote sites like
4 booster pump stations. Examples of these projects include the Basin 3 and Basin 2
5 replacement projects, dewatering and chlorine building projects, the Tennessee River
6 Crossing and numerous others. As these projects have been completed, more capital
7 dollars within the budget are being freed up to place toward pipe replacement projects. It
8 is a balancing process which the Company takes very seriously. In fact, in my direct
9 testimony in TPUC Docket 19-00105 (Page 7, Line 136), I describe how the Company has
10 successfully managed the Capital Recovery Rider budget to within 3.2% of the Cumulative
11 Net Budget over the course of six years.

12 **Q. DO YOU DISAGREE WITH THE DATA PROVIDED IN MR. DITTEMORE'S**
13 **PRE-FILED TESTIMONY REGARDING AGING INFRASTRUCTURE?**

14 A. No. I do, however, disagree with his assessment that the Company has not accelerated pipe
15 replacement. I believe I have presented information to demonstrate the fact that
16 strategically planned pipe replacement projects under the Capital Recovery Riders are
17 benefiting Customers and will continue to do so as more pipes are replaced in years to
18 come. The Company must continue to balance spend with Customer impacts. Mr.
19 Dittimore's data does show that there is still a lot of work needed, and this is one of the
20 reasons the Capital Recovery Riders were implemented. The Capital Recovery Riders are
21 a mechanism that allows Customers to continue receiving safe, reliability and adequate
22 service, while the Company prudently replaces aging infrastructure.

1 **Q. DOES THIS CONCLUDE YOUR REBUTTAL 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 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 A. Stafford

Sworn to and subscribed before me
this 23rd day of March, 2020.



Notary Public

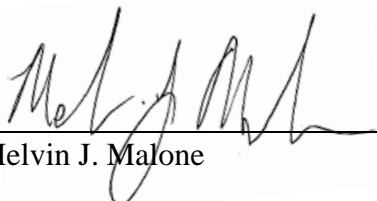
My Commission Expires: 7/25/2020

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
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

This the 23rd day of March, 2020.



Melvin J. Malone