

BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION

NASHVILLE, TENNESSEE

August 25, 2020

IN RE:)	
)	
PETITION OF TENNESSEE-AMERICAN WATER)	DOCKET NO.
COMPANY REGARDING THE PRODUCTION)	20-00008
COSTS AND OTHER PASS-THROUGHS RIDER)	

ORDER ON DECEMBER 1, 2018 THROUGH NOVEMBER 30, 2019 PCOP RIDER EXPENSES

This matter came before Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner John Hie of the Tennessee Public Utility Commission (the “Commission” or “TPUC”), the voting panel assigned to this docket, at a regularly scheduled Commission Conference held on June 15, 2020 to consider the *Petition* filed by Tennessee-American Water Company (“TAWC” or the “Company”) on January 14, 2020.

BACKGROUND

TAWC provides residential, commercial, industrial, and municipal water service to customers in Tennessee and North Georgia. TAWC is a wholly-owned subsidiary of American Water Works Company, Inc. Pursuant to Tenn. Code Ann. § 65-5-103(d), TAWC’s initial Production Costs and Other Pass-Throughs Rider mechanism (“PCOP” or “PCOP Rider”) was approved in TPUC Docket No. 13-00130 to recover incremental changes in certain essential, non-discretionary expenses.¹ The Commission approved changes to the PCOP Rider tariff providing

¹ *Petition*, pp. 3-5 (January 14, 2020). See *In re: Petition of Tennessee-American Water Company for Approval of a Qualified Infrastructure Investment Program, an Economic Development Investment Rider, a Safety and Environmental Compliance Rider and Pass-Throughs for Purchased Power, Chemicals, Purchased Water, Wheeling Water Costs, Waste Disposal, and TRA Inspection Fee*, Docket No. 13-00130, *Order Approving Amended Petition* (January 27, 2016).

for a single reconciliation, which includes a true-up of actual expenses over twelve months and a revenue true-up over eight and one half months in TPUC Docket No. 15-00001.² Subsequently, the Commission approved changes to the PCOP Rider tariff in TPUC Docket No. 15-00131.³

The PCOP tariff approved by the Commission requires TAWC to annually file within thirty days of the end of the most recent authorized attrition year, a filing calculating the PCOP percentage rate applicable to customers' bills for the twelve months following the approval of the PCOP percentage rate. The Commission approved the most recent PCOP percentage rate in TPUC Docket No. 19-00010 for the actual costs incurred during December 1, 2017 through November 30, 2018. In accordance with the PCOP tariff, on January 14, 2020, TAWC filed the *Petition* for the period of December 1, 2018 through November 30, 2019. The Consumer Advocate Unit in the Financial Division of the Office of the Tennessee Attorney General ("Consumer Advocate") formally sought intervention on February 20, 2020, which was granted by the Hearing Officer.⁴

PETITION

Through the PCOP Rider, TAWC seeks to recover the incremental changes in purchased power expense, purchased chemical expense, purchased water expense, wheeling charge expense, waste disposal expense, and TPUC inspection fee amounts from those levels approved in its most recent rate case, TPUC Docket No. 12-00049. In the *Petition*, TAWC is requesting to recover changes between the actual expenses for the twelve-month period ending November 30, 2019, and those approved in TPUC Docket No. 12-00049.

² See *In re: Petition of Tennessee-American Water Company Regarding the Production Costs and Other Pass-Throughs Rider*, Docket No. 15-00001, *Order on December 1, 2013 Through November 30, 2014 PCOP Rider Expenses*, p. 11 (February 5, 2016).

³ See *In re: Petition of Tennessee-American Water Company Regarding the Production Costs and Other Pass-Throughs Rider*, Docket No. 15-00131, *Order on December 1, 2014 Through November 30, 2015 PCOP Rider Expenses*, pp. 7-10 (July 26, 2016).

⁴ *Order Granting the Petition to Intervene Filed by Consumer Advocate* (March 6, 2020).

In Pre-Filed Testimony of Ms. Elaine K. Chambers in support of the *Petition*, the Company includes exhibits demonstrating the PCOP calculations with supporting workpapers. The gross receipt rate, uncollectible rate, Commission fee, and forfeited discount rate used in the PCOP calculation is the rate established in the Company's last rate case and use a 15% unaccounted for water, as established in the Company's last rate case. The exhibits also reflect a reconciliation of the over-refunded amount, with interest in the amount of \$43,494.⁵

Ms. Chambers testified that the Company made four minor changes to the calculation of the PCOP from its previous PCOP filing: (1) EPB power bills for the Elder Mountain Station location were added because this cost was included in the base period PCOP costs in Commission Docket No. 12-00049; (2) the gross-up amount for the Commission inspection fee was removed in order to be consistent with the tariff; (3) the Commission inspection fee is based on the actual bill paid in 2019; and (4) the PCOP cost reduction for unaccounted water loss above 15% is based on actual system delivery and actual water sales for the review period.⁶

Ms. Chambers asserted the PCOP continues to benefit customers and remains in the public interest by reducing the need for general rate cases and allowing for more efficient regulation. Since the inception of the PCOP, TAWC has refunded \$2,339,502 to its customers.⁷ The Company requested a PCOP Rider that results in an annualized revenue refund of \$304,222 or a surcharge of -0.65%. The Company calculated a proposed decrease in the monthly bill of a typical residential customer living in the City of Chattanooga of \$0.14.⁸

POSITION OF THE CONSUMER ADVOCATE

In Pre-Filed Direct Testimony filed on behalf of the Consumer Advocate, Mr. Alex Bradley indicated he had reviewed this filing, along with all exhibits, workpapers, and discovery responses.

⁵ Elaine K. Chambers, Pre-Filed Direct Testimony, pp. 10-11 (January 14, 2020).

⁶ *Id.* at 14.

⁷ *Id.* at 6.

⁸ *Id.* at 15.

After correcting the non-revenue water loss, the Consumer Advocate explained that the Company is requesting \$118,070 less recovery than in the Company's last PCOP filing for the twelve months ending November 30, 2018 in Commission Docket No. 19-00010. This decrease in recoverable expenses along with the Company over-refunding \$43,494 and lower water sales results in less of a PCOP percentage reduction than the amount previously authorized in Commission Docket No. 19-00010.⁹

Following a review of the calculations in this filing, the Consumer Advocate found that the Company's filing was prepared using actual production expenditures (minus any fees or penalties), water system delivery/sales, and reflected the approved methodologies.¹⁰

RESPONSE OF TENNESSEE-AMERICAN WATER COMPANY

No pre-filed rebuttal testimony was filed by the Company. In a letter from the Consumer Advocate dated April 7, 2020, the Parties jointly expressed that there are no outstanding procedural issues requiring resolution by the Hearing Officer and no contested issues between the Parties. Unless requested by the Commission, the Parties waived both opening statements, the live presentation of testimony, and cross-examination of witnesses by the Parties.

JUNE 15, 2020 HEARING AND APPEARANCES

A Hearing in this matter was held electronically via WebEx before the voting panel on June 15, 2020, as noticed by the Commission on May 29, 2020. Pursuant to Executive Order Nos. 16 and 34 related to the COVID-19 public health emergency, the Commission convened without a physical quorum. Reasonable efforts were made by the Commission to allow interested parties and the public access to the proceedings.

⁹ Alex Bradley, Pre-Filed Direct Testimony, pp. 6-8 (March 31, 2020).

¹⁰ *Id.* at 9.

As noted previously herein, the Parties filed a letter indicating there were no outstanding disputes or contested issues and the parties waived opening statements, closing statements, and cross-examination of the respective expert witnesses. Participating in the Hearing were the following parties and their respective counsel:

TAWC – Melvin J. Malone, Esq., Butler Snow, LLP, 150 3rd Avenue South, Suite 1600, Nashville, Tennessee 37201.

Consumer Advocate – Karen Stachowski, Esq., Office of the Tennessee Attorney General, P.O. Box 20207, Nashville, TN 37202.

During the Hearing, the public was given an opportunity to offer comment, but no member of the public sought to comment on the *Petition*.

FINDINGS AND CONCLUSIONS

Upon review of the evidentiary record in this proceeding, the Hearing Panel voted unanimously to adopt \$3,488,871 as the total actual PCOP expense for the year ending November 30, 2019. This amount includes \$818,155 for Chemical Expense, \$2,099,041 for Fuel & Power Expense, \$329,809 for Waste Disposal Expense, \$24,509 for Purchased Water Expense, and \$217,358 for the Commission Inspection Fee Expense. The total PCOP expense to be collected from customers is increased by \$43,494 because the Company returned more than the amount authorized in the previous PCOP Rider. This results in a net PCOP expense of \$3,532,365. Since inception of the PCOP Rider mechanisms, overall expenses have decreased and adopting the above expenses results in a total PCOP Rider surcharge of -0.65%. This reduces Chattanooga residential customers' bills by an average of \$0.14 cents per month.

Further, the Hearing Panel found that the PCOP Rider continues to benefit the Company by allowing timely recovery of expenses without having to file a rate case. In turn, consumers benefit by not being required to pay for expensive rates cases the Company might otherwise have to pursue if expenses increase while also allowing customers to receive immediate refunds when

expenses within the PCOP Rider decrease. For these reasons, the Hearing Panel found that the PCOP Rider remains in the public interest. Finally, the Hearing Panel directed Tennessee-American to file tariffs consistent with its ruling.

IT IS THEREFORE ORDERED THAT:

1. The total actual net Production Costs and Other Pass-Throughs Rider expense for the year ending November 30, 2019 is \$3,488,871. This includes \$818,155 for Chemical Expense; \$2,099,041 for Fuel & Power Expense; \$329,809 for Waste Disposal Expense; \$24,509 for Purchased Water Expense; and \$217,358 for the Tennessee Public Utility Commission Inspection Fee Expense. This amount is reduced by \$43,494 to account for over-collections, resulting in a net Production Costs and Other Pass-Throughs Rider expense of \$3,532,356.

2. Tennessee-American Water Company shall file the Production Costs and Other Pass-Throughs Rider expense percentage and tariffs consistent with the approved Production Costs and Other Pass-Throughs Rider expense.

3. Any person who is aggrieved by the Commission's decision in this matter may file a Petition for Reconsideration with the Commission within fifteen (15) days from the date of this Order.

4. Any person who is aggrieved by the Commission's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from the date of this Order.

Vice Chair Kenneth C. Hill, Commissioner Herbert H. Hilliard, and Commissioner John Hie concur.

ATTEST:



Earl R. Taylor, Executive Director