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July 14, 2020

VIA ELECTRONIC FILING

Hon. Kenneth C. Hill, Chairman
c/o Ectory Lawless, Docket Room Manager
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243
TPUC.DocketRoom@tn.gov

RE: *Petition of Tennessee-American Water Company in Support of the Calculation of the 2020 Capital Recovery Riders Reconciliation, Docket No. 20-00028*

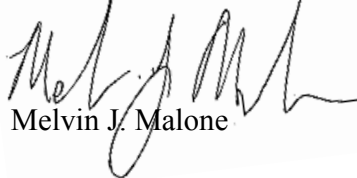
Dear Chairman Hill:

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, one (1) hard copy 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, TAWC

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

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BUTLER SNOW LLP

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 20-00028

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 AND IN SUPPORT OF
THE CALCULATION OF THE 2020 CAPITAL RECOVERY RIDERS
RECONCILIATION (RECONCILIATION FOR CALENDAR YEAR 2019)**

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, Rates
6 and Regulatory for Tennessee and Kentucky.

7 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
8 **BEHALF OF TENNESSEE-AMERICAN WATER COMPANY (“TENNESSEE-**
9 **AMERICAN,” “TAWC” OR THE “COMPANY”)?**

10 A. Yes. I filed direct testimony.

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

12 A. The purpose of this testimony is to respond to revisions proposed to the calculation of the
13 2020 Capital Recovery Riders Reconciliation for the calendar year 2019, based on the pre-
14 filed testimony of David N. Dittmore.

15 **Q. MR. DITTEMORE PROPOSES ADJUSTMENTS TO THE EARNINGS TEST.**
16 **WHO SPONSORED THE EARNINGS TEST IN 13-00130?**

17 A. As noted by the Company in TPUC Docket No. 18-00120, the earnings test was first
18 proposed by the Consumer Advocate.¹ The earnings test adopted by the Commission was
19 submitted by the parties, TAWC and the Consumer Advocate, as part of the Stipulation in
20 Docket No. 13-00130. Nonetheless, as outlined and recorded in TPUC Docket No. 18-
21 000120, the Consumer Advocate continues to amend its views on the earnings test
22 mechanism agreed to by TAWC and the Consumer Advocate and adopted by the

¹ See CA Witness William H. Novak’s Direct Testimony, pp. 18-19, TPUC Docket No. 13-00130 (Dec. 20, 2013).

Commission. Respecting the decisions of the Commission in TPUC Docket No. 18-00120, in which the Commission rejected, yet again, the Consumer Advocate's attacks on the earnings test, any consideration of additional Consumer Advocate-proposed adjustments to the earnings test are more appropriately addressed in the generic case on the Capital Recovery Riders, TPUC Docket No. 19-00103. The Consumer Advocate's consistent, veiled attempts to completely re-cast the earnings test – absent any discussions with TAWC in this case regarding the same - should fail again.²

Q. MR. DITTEMORE PROPOSES ADJUSTMENTS TO THE EARNINGS TEST TO EXCLUDE AFUDC AND CWIP. DO YOU AGREE WITH THESE ADJUSTMENTS?

A. No. In Docket No. 10-00189 the Commission held:

“CWIP may be appropriately included in utility rate base, and the company is allowed to earn a return on this type of investment. The return, or income, generated by this investment, however, will not be realized until a future date, which is beyond the attrition period. Therefore, it is necessary to remove the return (the cost of debt) on CWIP from the attrition period so that current customers do not pay for expenses related to future income. Here the Company's budgeted capital additions were used in its calculations of CWIP. As this is the case, the Company's associated budgeted AFUDC should also be adopted.”³

These same determinations were approved by the Commission in Docket No. 12-00049, consistent with the Commission's directive in Docket No. 10-00189.⁴

Q. WERE THESE CHANGES TO THE EARNINGS TEST PROPOSED BY THE CONSUMER ADVOCATE IN DOCKET NO. 13-00130?

A. No.

² See, e.g., Pre-filed Rebuttal Testimony of TAWC Witness Elaine K. Chambers, pp. 7-9, TPUC Docket No. 18-00120 (June 28, 2019).

³ Final Order, In Re: Petition of Tennessee-American Water Company for a General Rate Increase, p. 105, TPUC Docket No. 10-00189 (April 27, 2012) (hereinafter “Final Order”).

⁴ *Order Approving Settlement Agreement, Exhibits and Attachments*, TPUC Docket No. 12-00049 (Nov. 20, 2012)

1 **Q. WERE THESE CHANGES TO THE EARNINGS TEST PROPOSED BY THE**
2 **CONSUMER ADVOCATE IN THE LAST CAPITAL RECOVERY RIDERS**
3 **RECONCILIATION CASE?**

4 A. No.

5 **Q. ARE YOU AWARE OF OTHER COMPANIES THAT INCLUDE AFUDC AND**
6 **CWIP IN THEIR CALCULATIONS THAT HAVE BEEN APPROVED BY THE**
7 **COMMISSION RECENTLY?**

8 A. Yes. Mr. Dittemore argues for elimination of CWIP and AFUDC in TAWC's calculations,
9 but the Consumer Advocate agreed to similar terms recently in TPUC Docket No. 18-
10 00112 with ATMOS Energy.⁵ If inclusion of AFUDC is appropriate for one company then
11 it should be deemed appropriate for others.

12 **Q. REFERRING TO MR. DITTEMORE'S TESTIMONY, QUESTION 13, DOES**
13 **TAWC'S AUTHORIZED COST OF CAPITAL INCLUDE SHORT TERM DEBT?**

14 A. Yes. Short term debt is part of TAWC's authorized cost of capital and is being applied in
15 the AFUDC calculation. TAWC's capital structure includes short term debt for TAWC and
16 for TAWC's Parent (double leverage).

17 **Q. ARE STATE COMMISSIONS BOUND BY THE USoA?**

18 A. Not to my knowledge. Among other things, Commissions may choose to adopt the USoA,
19 use it as guidance or employ a hybrid or other approach.

20 **Q. ON PAGE 7, II 3-7 OF HIS TESTIMONY, MR. DITTEMORE STATES THAT**
21 **THERE IS A DISTINCTION BETWEEN ESTABLISHING RATES IN A**
22 **FORWARD-LOOKING TEST PERIOD AND EVALUATING WHETHER A**

⁵ *Order Approving Stipulation and Settlement Agreement, Exhibits* , TPUC Docket No. 18-00112 (Dec. 16, 2019)).

1 **HISTORICAL PERIOD HAS PRODUCED ABOVE-AUTHORIZED RETURNS.**

2 **CAN YOU COMMENT HERE?**

3 A. Like the other positions in his testimony, Mr. Dittmore's position here is purely results
4 driven as well. By results driven, I mean that it appears that the Consumer Advocate's
5 contentions in the Capital Recovery Riders cases have become so outcome focused as to
6 force "situational" arguments depending upon the Consumer Advocate's then-current
7 objective. Unfortunately, whether said objective is regulatorily sound and/or consistent
8 with Commission precedent has become a secondary consideration. I suppose this is Mr.
9 Dittmore's attempt to get around the Commission's ruling that I cited earlier in support
10 of TAWC's positions, namely Docket No. 10-00189. When the Commission approved the
11 Capital Recover Riders in Docket 13-00130, the Commission was well aware of its ruling
12 in Docket No. 10-00189, as was the Consumer Advocate. This is likely the reason why
13 the Consumer Advocate has not previously raised this issue in a Capitol Recovery Riders
14 case.

15 **Q. DO YOU HAVE ANY OTHER COMMENTS ON MR. DITTEMORE'S**
16 **PROPOSAL TO ELIMINATE AFUDC AND CWIP FROM THE EARNINGS**
17 **TEST?**

18 A. Yes. AFUDC is only calculated on certain CWIP dollars and not all of CWIP dollars. If
19 the Commission reverses its previous TAWC rate case orders cited above and orders an
20 elimination, it should pertain to AFUDC eligible amounts in the CWIP balance, and Mr.
21 Dittmore's calculation would need to be revised.
22 Additionally, TAWC is involved in cooperative, settlement discussions with the Consumer
23 Advocate and is working in good faith to address certain of the Consumer Advocate's

1 concerns with the Capital Recovery Riders in Docket No. 19-00103. I was very
2 disappointed to see that some of the discussions from those cooperative, confidential
3 meetings may be reflected in Mr. Dittemore's testimony in this docket. If this is accurate,
4 I hope it was inadvertent.

5 **Q. MR. DITTEMORE ALSO PROPOSES TO REMOVE ADDITIONAL AMOUNTS**
6 **FOR LOBBYING FROM THE EARNINGS TEST. DO YOU AGREE?**

7 A. No, I do not agree. Mr. Dittemore again spends a significant amount of time in his
8 testimony speculating about TAWC's accounting for lobbying expenses. Restating the
9 Company's positions in Docket No. 19-00031, we do believe we follow the NARUC
10 Uniform System of Accounts (USoA).

11 The hearing for Docket No. 19-00031 was held December 9, 2019. Prior to this docket, to
12 my knowledge, lobbying expenses had not been a significant issue with respect to the
13 Capital Recovery Riders. When TAWC became aware of lobbying expenses being charged
14 above the line late in 2019, we immediately started working on our internal processes to
15 make sure we did not charge lobbying expenses above the line in the future. Unfortunately,
16 due to human error, some additional lobbying expenses were again charged above the line
17 in 2019. We did, however, discover those errors prior to filing the 2019 reconciliation, and
18 we removed them from the earnings test. Unfortunately, the unintentional errors have led
19 to additional speculation by Mr. Dittemore.

20 As TAWC stated in our discovery responses, the Governmental Affairs position was vacant
21 in 2019. The employee that was registered as a lobbyist was trying to help fill some of the
22 gaps temporarily because the position was vacant. The employee did not register as a
23 lobbyist because she was assuming all of the job functions of the Government Affairs

1 position. Rather, the employee registered as a lobbyist in the abundance of caution, as
2 helping out temporarily might still fall within the registration requirements. Under no
3 circumstances did she spend 20% of her time helping with the Governmental Affairs
4 position, as that was not her primary role. And, under no circumstances should 20% of her
5 time be removed from the earnings test. In fact, in the absence of a full-time Government
6 Affairs employee during this period, TAWC relied even more on its outside lobbyist. In
7 2020, the position is filled and we will be properly removing a portion of the person's time
8 in that role, consistent with the Commission's guidance in Docket No. 10-00189.⁶
9 Furthermore, that same referenced order did not remove the supervisor's time, as Mr.
10 Dittemore recommends in this docket, and we believe that his recommendation is
11 inappropriate. Mr. Dittemore merely assumes that some arbitrary or speculative allocation
12 should be attributed to the supervisor absent an actual analysis of whether any such time
13 was lobbying as outlined by the Commission rather than lobbying as proposed to be defined
14 by the Consumer Advocate. Mr. Dittemore maintains on page 9, 13 of his testimony how
15 "[l]obbying costs should be defined." rather than how lobbying costs are defined. The
16 Commission previously resolved in Docket No. 10-00189 the proper and appropriate
17 method for TAWC to account for the Government Affairs position. While Mr. Dittemore
18 desires a much more expansive definition to comport with his "situational" argument
19 focused solely on the earnings test, he has not cited a single source that either expresses or
20 adopts his expansive view. The remainder of Mr. Dittemore's testimony on lobbying
21 contains speculation, which is unsupported and inappropriate. He cites the USoA to imply
22 how to allocate indirect expenses for lobbying, but the section he refers to is how to allocate

⁶ *Final Order*, p. 62, TPUC Docket No. 10-00189.

1 indirects to capital expenditures. There is nothing in FERC or NARUC USoA that suggest
2 the method used for capital projects is appropriate for allocating indirect expenses to
3 operating or non-operating activities.

4 **Q. SO, YOU DISAGREE WITH MR. DITTEMORE'S RECOMMENDATION ON**
5 **PAGE 12, II 16-20 OF HIS TESTIMONY OF A 20% ALLOCATION TO THE**
6 **EMPLOYEE?**

7 A. Yes, I do. The employee filled in temporarily on some of the functions associated with the
8 Government Affairs position from February to September 2019. During this period, the
9 employee was paid an additional stipend of \$600.00 per month for temporarily fulfilling
10 some of the job functions of the Government Affairs position. Hence, at most, \$4,200.00
11 is the amount that should be attributed to lobbying expenses, as opposed to the 20%
12 allocation advocated by Mr. Dittemore.

13 **Q. REFERRING TO PAGE 14, II 13-14 OF HIS TESTIMONY, MR. DITTEMORE**
14 **STATES THAT HIS RECOMMENDATION IS CONSISTENT WITH THE**
15 **COMMISSION'S *FINAL ORDER*? DO YOU AGREE?**

16 A. No, it is not. As I am sure Mr. Dittemore knows, his unsupported recommendation is far,
17 far more expansive. While the Consumer Advocate purports to cite direct authority for his
18 expansive approach, he has not offered any sources directly supporting what it is proposing,
19 except Mr. Dittemore himself.

1 **Q. REFERRING TO PAGES 14-15 OF HIS TESTIMONY, MR. DITTEMORE**
2 **HIGHLIGHTS TAWC’S LEGISLATIVE ASPIRATIONS? DO YOU AGREE**
3 **WITH HIS CONCLUSIONS?**

4 A. No, I do not. Mr. Dittemore attached an investor presentation. It is quite a leap from an
5 investor presentation to an acceptance of the Consumer Advocate’s unsupported
6 reconstitution, or better said outright reversal or rejection, of the agency’s approach set
7 forth in the *Final Order*. Again, Mr. Dittemore’s newly proffered concepts, definitions,
8 attributions and methodologies come with no direct support. Contrary to Mr. Dittemore’s
9 opinion (*See Pre-filed Testimony of Consumer Advocate Witness Dittemore*, p. 15, ll 9-10),
10 “goals” and “strategies” are not in and of themselves lobbying. Finally, when the
11 Commission established the 20% allocation with respect to the Government Affairs
12 position, it did so on the basis of an estimate. It is very likely from time to time that less
13 than 20% of the Government Affairs position is actually tied to the function of political
14 lobbying or legislative/governmental actions advocacy. This further undermines Mr.
15 Dittemore’s attempts to re-write the Commission’s approach.

16 **Q. REFERRING TO PAGE 12, ll 7-11, DO YOU AGREE WITH DR. DITTEMORE**
17 **THAT THERE IS A LACK OF COMPLIANCE BY TAWC WITH RESPECT TO**
18 **LOBBYING EXPENSE?**

19 A. No, I do not. As I understand his testimony, Mr. Dittemore is pushing for the removal of
20 any internal labor associated with lobbying efforts. When the Commission rendered its
21 ruling in Docket No. 10-00189, the Commission chose not to adopt the approach pushed
22 here by Mr. Dittemore. Here, Mr. Dittemore has not cited any specific USoA that requires
23 this. Rather, Mr. Dittemore is advocating for the Commission to establish a new definition

1 for lobbying costs in this case and for the adoption of a new methodology crafted solely by
2 Mr. Dittemore. (*See Pre-filed Testimony of Consumer Advocate Witness David N.*
3 *Dittemore*, pp. 9-12).

4 **Q. REFERRING TO PAGE 12, II 1-6 OF HIS TESTIMONY, DO YOU AGREE WITH**
5 **MR. DITTEMORE THAT THE COMPANY HAS NOT COMPLIED WITH THE**
6 **USoA?**

7 A. I do not agree that the Company has not complied with the USoA. Here, Mr. Dittemore's
8 conclusion is premised upon the "definition" that he proposes that the Commission adopt.
9 Thus, this "non-compliance" he testifies to here is hypothetical and misleading. Mr.
10 Dittemore has not cited any specific USoA that requires this.

11 **Q. REFERRING TO PAGE 12, II 7-11 OF HIS TESTIMONY, DO YOU AGREE WITH**
12 **MR. DITTEMORE THAT THE COMPANY HAS NOT COMPLIED WITH THE**
13 **USoA?**

14 A. Again, I do not agree that the Company has not complied with the USoA. Mr. Dittemore's
15 conclusion here is based solely on his hypothetically and unilaterally proposed fully
16 distributed costs methodology. Therefore, to intimate "non-compliance" here is
17 misleading.

18 **Q. REFERRING TO PAGE 15, II 3-16 OF HIS TESTIMONY, DO YOU AGREE WITH**
19 **MR. DITTEMORE'S PROPOSAL TO ATTRIBUTE 10% OF THE REGISTERED**
20 **LOBBYIST'S SUPERVISOR'S TIME AND ASSOCIATED COSTS?**

21 A. As I noted above in my testimony, no I do not. In accounting properly for its lobbying
22 expense with respect to the earnings test, the Company complied with the Commission's
23 ruling in Docket No. 10-00189. Mr. Dittemore makes no allegation that the Company has

1 not complied with Commission directives. When the Commission issued its ruling with
2 respect to lobbying expenses in Docket No. 10-00189, the Commission chose not to adopt
3 the approach pushed by Mr. Dittemore here. The Commission did not require any
4 supervisor's time be excluded when it made its ruling in Docket No. 10-00189. It is
5 noteworthy here that the Commission's precedent on this issue has been in place for many
6 years, and to my knowledge, has not been materially challenged nor modified.

7 **Q. HOW WOULD YOU CHARACTERIZE MR. DITTEMORE'S PROPOSAL ON**
8 **LOBBYING EXPENSES?**

9 A. Mr. Dittemore is really attacking the Commission's determination on lobbying expense in
10 its April 27, 2012 *Final Order* in Docket No. 10-00189. With the recognition of the \$4,200
11 amount in full – rather than 20% - earlier in my testimony, the Company has complied fully
12 with the Commission's directive. The Company has correlated time spent performing the
13 Government Affairs function of political lobbying or legislative/governmental actions
14 advocacy.

15 **Q. MR. DITTEMORE PROPOSES THAT THE SEPTEMBER 12, 2019 MAIN BREAK**
16 **COSTS BE REMOVED FROM THE EARNINGS TEST IN THIS PROCEEDING?**
17 **DO YOU AGREE WITH THIS RECOMMENDATION?**

18 A. No. The main break costs are properly included in this earnings test and should remain
19 there. Mr. Stafford may address this and other contentions by Mr. Dittemore in his
20 testimony.

1 **Q. WHAT IS YOUR RECOMMENDATION WITH REGARDS TO MR.**
2 **DITTEMORE’S PROPOSED MODIFICATION TO THE TOTAL**
3 **RECONCILIATION FACTOR SUBMITTED BY THE COMPANY?**

4 A. The reconciliation factor submitted by the Company is accurate. As stated above, the
5 proposed re-write of the earnings test is better addressed in Docket No. 19-00103.
6 Therefore, Mr. Dittimore’s recommendations should be rejected.

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

9

PETITIONER'S EXHIBIT KAS-2

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 20-00028

REBUTTAL TESTIMONY

OF

KURT A. STAFFORD

ON

**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 2020 CAPITAL RECOVERY RIDERS
RECONCILIATION (RECONCILIATION FOR CALENDAR YEAR 2019)**

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

5 A. I am employed by American Water Works Service Company (“AWW”) as Director of
6 Engineering for Tennessee and Kentucky.

7 **Q. DID YOU PREVIOUSLY SUBMIT TESTIMONY IN THIS PROCEEDING ON**
8 **BEHALF OF TENNESSEE-AMERICAN WATER COMPANY (“TENNESSEE-**
9 **AMERICAN”, “TAWC” OR THE “COMPANY”)?**

10 A. Yes. I filed direct testimony.

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

12 A. The purpose of this testimony is to respond to Mr. Dittimore’s recommendation to defer
13 the cost of the September 12, 2019 water main break to a later proceeding.

14 **Q. DO YOU AGREE WITH MR. DITTEMORE’S PROPOSAL TO DEFER COSTS**
15 **ASSOCIATED WITH THE SEPTEMBER 12, 2019 MAIN BREAK TO A LATER**
16 **PRECEDING?**

17 A. No. TAWC believes the September 12, 2019 main break should be treated in a similar
18 manner to other main breaks. The Company has been responsive to discovery requests
19 associated with the event and its response. As Mr. Dittimore points out, there is pending
20 litigation related to the event.

21 **Q. ON PAGE 16, LINES 13-14 OF HIS TESTIMONY, MR. DITTEMORE QUOTES**
22 **FROM TAWC’S PREVIOUS RESPONSES ON THE MAIN BREAK AND NOTES**
23 **THAT THE COMPANY PREVIOUSLY STATED THAT “CONCLUDING THIS**

1 **EVALUATION IS A PRIORITY.” DOES CONCLUDING THIS EVALUATION**
2 **REMAIN A PRIORITY FOR THE COMPANY?**

3 A. Yes.

4 **Q. IS THERE A TIMELINE FOR CONCLUDING THE ANALYSIS OF THE MAIN**
5 **BREAK?**

6 A. As the analysis is being performed by an independent third-party, TAWC has no
7 definitive date for the completion of the analysis. Nonetheless, we anticipate the
8 completion of the analysis within the next couple of months.

9 **Q. HOW ARE COSTS ASSOCIATED WITH MAINS BREAKS TREATED UNDER**
10 **THE CAPITAL RIDERS?**

11 A. Costs associated with main break replacement projects are covered under Budget Line C –
12 Mains Unscheduled and are included in the Capital Recovery Riders under the Qualified
13 Infrastructure Investment Program or QIIP Rider. These projects consist of replacement
14 work associated with all types and sizes of main breaks.

15 **Q. SHOULD THE SEPTEMBER 12, 2019 MAIN BREAK BE TREATED**
16 **DIFFERENTLY?**

17 A. No. As previously mentioned, all main break replacement projects fall under Budget Line
18 C. Historically, this includes unscheduled replacement work on other transmission mains.
19 For example, in April 2016, a section of 30-inch transmission main located under the
20 Tennessee River suffered a failure. The repair consisted of isolating the river crossing and
21 a new, smaller polyethene pipe was slid through the existing 30-inch main. Additionally,
22 in June 2017, a critical 24-inch transmission valve failed necessitating an unscheduled
23 replacement project. These unscheduled replacement projects as well as several other

1 unscheduled transmission main repairs have been processed through Budget Line C as part
2 of the QIIP Rider.

3 **Q. MR. DITTEMORE IMPLIES THAT TAWC HAS NOT PROVIDED**
4 **SUBSTANTIVE INFORMATION REGARDING THE SEPTEMBER 12, 2019**
5 **MAIN BREAK. WOULD YOU AGREE WITH THIS ASSERTION?**

6 A. No. The Company issued extensive details concerning the September 12, 2019 main break
7 and its response publicly. This information was provided as an attachment to TAWC
8 Response to Consumer Advocate Consumer Advocate Request No. 1-7. The Company
9 also provided other information related to the event such as the estimated amount of water
10 lost during the incident and the estimated number of Customers under boil water advisory
11 (see TAWC's Response to Consumer Advocate Request No. 1-1 from Docket No. 20-
12 00008). Financial information relevant to the September 12, 2019 main break has also
13 been provided.

14 **Q. ON PAGE 19, LINES 1-13 OF HIS TESTIMONY, MR. DITTEMORE IMPLIES**
15 **THAT TAWC CUSTOMERS MIGHT BE SURPRISED TO LEARN OF THE**
16 **ACCOUNTING PRACTICES USED FOR BOTTLED AND BULK DRINKING**
17 **WATER SUPPLIED TO CUSTOMERS DURING THE SEPTEMBER 2019 MAIN**
18 **BREAK. WOULD YOU AGREE WITH THIS IMPLICATION?**

19 A. No. The accounting practice for alternative drinking water supplied to Customers during
20 a main break dictate that these costs be expensed as operation and maintenance or O&M
21 expenses. This practice is not new nor isolated to this event.

1 **Q. GIVEN THESE CONSIDERATIONS, DO YOU BELIEVE THE COSTS**
2 **ASSOCIATED WITH THE SEPTEMBER 2019 MAIN BREAK SHOULD REMAIN**
3 **IN THE DOCKET NO. 20-00028?**

4 **A. Yes.**

5 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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

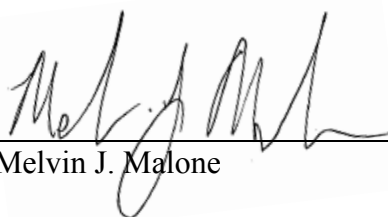
7

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 14th day of July, 2020.



Melvin J. Malone