

**IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE**

**IN RE:**

**PETITION OF TENNESSEE-AMERICAN  
WATER COMPANY REGARDING THE  
2021 PRODUCTION COSTS AND OTHER  
PASS-THROUGHS RIDER**

)  
)  
)  
)  
)  
)  
)

**Docket No. 21-00006**

---

**UPDATED TESTIMONY OF**

**ALEX BRADLEY**

---

JUNE 7, 2021

1 **Q1. DID YOU SUBMIT DIRECT TESTIMONY IN THIS DOCKET?**

2 **A1.** Yes.

3 **Q2. WHAT IS THE PURPOSE OF YOUR UPDATED TESTIMONY?**

4 **A2.** The purpose of my updated testimony is to correct my prior testimony regarding embedded  
5 production costs in the base rates of certain TAWC customers. In my initial testimony, the  
6 adjustments proposed were based on an estimate that used the ratio of consumption for  
7 those service territories to total TAWC consumption. On May 21, 2021, after the filing of  
8 my initial testimony, the Company responded to Commission Staff's Data Request. This  
9 supplemental testimony incorporates the information contained within the Company's  
10 response.

11 **Q3. WHAT INFORMATION WAS PROVIDED IN THE COMPANY'S DISCOVERY**  
12 **RESPONSE TO COMMISSION STAFF?**

13 **A3.** Commission Staff requested, and the Company provided, the production costs embedded  
14 within the base rates of Whitwell customers. The Company provided documentation of  
15 production costs incurred by the City of Whitwell before the Company's acquisition of the  
16 system. Additionally, the Company provided the total water sold by the City prior to the  
17 system's acquisition.

18 **Q4. WHAT DID THIS INFORMATION CAUSE YOU TO UPDATE?**

19 **A4.** Through this supplemental testimony, I am updating pages 9 through 12 of my Direct  
20 Testimony regarding embedded production costs for the Company's customers in the  
21 Whitwell Service Territory along with the results of my review. The updated testimony is  
22 presented below:

1 **Q5. DISCUSS YOUR CONCERNS WITH HOW THE PCOP IS CHARGED IN**  
2 **RELATION TO WHITWELL.**

3 **A5.** To prevent the possible double recovery of production expenses related to the Whitwell  
4 system it is necessary to estimate the amount of production expenses embedded within the  
5 base rates approved by the Commission in its acquisition in TRA<sup>1</sup> Docket No. 12-000157.  
6 Per the Company's Response to Staff Data Request, the City of Whitwell incurred  
7 [REDACTED] in chemicals and utilities expense while delivering 1,527,738 hundred gallons  
8 for the year ending June 30, 2011.

9 **Q6. DO YOU HAVE ANY RECOMMENDATIONS REGARDING THE EMBEDDED**  
10 **PRODUCTION COSTS IN WHITWELL AND JASPER HIGHLANDS RATES?**

11 **A6.** As previously discussed,<sup>2</sup> the baseline charges from the Company's last rate case do not  
12 include any Whitwell or Jasper Highlands production costs. As shown below, I have  
13 used the company estimate of [REDACTED] in Whitwell production costs as shown in the  
14 Company's Response to Staff Data Request No. 1-1 and estimated a portion of Jasper  
15 Highland production costs by applying the ratio of consumption for those service  
16 territories to total consumption for the TAWC system.

17 *[Intentionally Blank – Chart on Next Page]*

---

<sup>1</sup> The Tennessee Regulatory Authority, or TRA, is the predecessor agency to the TPUC, just as the Tennessee Public Service Commission predated the TRA. While the nomenclature has changed, the scope and function of these entities has remained essentially the same.

<sup>2</sup> Direct Testimony of Alex Bradley at 10:5 – 11:2, TPUC Docket No. 21-00006 (May 3, 2021).

Residential Class	Volumes	Percent	
Chattanooga	3,899,015	86.94%	A/
Lookout Mtn.	202,015	4.50%	A/
Lakeview	165,317	3.69%	A/
Suck Creek	14,736	0.33%	A/
Inside Whitwell	43,951	0.98%	A/
Outside Whitwell	135,136	3.01%	A/
Jasper Highlands	24,456	0.55%	B/
<b>Total:</b>	<b>4,484,627</b>	<b>100.00%</b>	
<b>Total Incremental Production Costs:</b>	<b>\$3,636,606</b>	C/	
<b>Estimated Embedded Production Costs:</b>			
Whitwell		D/	
Jasper Highlands	\$19,832	E/	
<b>Total:</b>			
A/ Docket 21-00006, Workpaper_Billing Determinants - 2020.xlsx (volumetric blocks [CGL])			
B/ Docket 20-00011, Direct Testimony of Hal Novak, Attachment WHN-2 (CONFIDENTIAL)			
C/ Docket 20-00011, TAW_EXH_EKC_1_011521_Revised.xlsx			
D/ Docket 21-00006, Staff DR1-1 (CONFID).			
E/ (Equation: 3,636,606*0.0055)			

## RESULTS OF MY REVIEW

**Q7. DID YOU REVIEW THE CALCULATIONS SUPPORTING THE PROPOSED PCOP SURCHARGE IN THIS FILING?**

**A7.** Yes, I reviewed TAWC's filing and supporting documentation. I also prepared discovery requests for information not contained in the original filing. Additionally, I reviewed the provided invoices to determine if the invoiced total was exclusive of late fees and penalties and the applicable bill date.

**Q8. WHAT WERE THE GENERAL RESULTS OF YOUR REVIEW?**

**A8.** Overall, I found that the Company's PCOP filing included the actual production expenditures (minus any fees or penalties) and water system delivery/sales, along with the applicable support. I also found that the PCOP calculation generally reflected the methodologies established in TRA Docket No. 13-00130. However, I reiterate my

concerns that some of the PCOP framework is becoming stale<sup>3</sup> and concerns about the applicability<sup>4</sup> of the framework and the amount charged to the customers residing within the Jasper Highlands and Whitwell service territories. As such I recommend the PCOP calculation be amended in the following ways:

- a. Lines 1-3, ‘Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case’ be adjusted to:
  - i. Incorporate the estimated amount of production expenses and for the Whitwell and Jasper Highland Systems at their acquisitions.
  - ii. Incorporate the known volumes for the Whitwell System at acquisition.

**Q9. WHAT IS THE EFFECT OF THIS CHANGE?**

**A9.** As shown below, it revises the ‘Base Rate Cost per 100 Gallons WS’ benchmark that the Company’s review period PCOP expenses are compared to.

<b>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</b>				
		As Filed		CA
Line	Description	Amount	Adjustment	Adjusted
1	Pro Forma Production Costs and Other Pass-Throughs	\$4,062,167		
2	Pro Forma Water Sales (WS) in 100 Gallons	100,578,654	1,527,738	102,106,392
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	\$0.04039		

When this adjustment is incorporated within the rest of the PCOP calculation it results in a PCOP surcharge of 0.15% (as shown below).

*[Intentionally Blank – Chart on Next Page]*

<sup>3</sup> *Id.* at 10:3 – 11:12.

<sup>4</sup> *Id.* at 9:17 – 10:2.

Line Number	Description	Company Amount	CA Adjusted Amount	Difference
<b>I. Calculation of the Base Rate Cost of Production Costs and Other Pass-Throughs as authorized in the Base Rate case (*):</b>				
1	Pro Forma Production Costs and Other Pass-Throughs	\$4,062,167		
2	Pro Forma Water Sales (WS) in 100 Gallons	100,578,654	102,106,392	1,527,738
3	Base Rate Cost per 100 Gallons WS (Line 1 / Line 2)	\$0.04039		
<b>II. Deferral calculation - Actual Non-Revenue Water Cost Production Costs and Other Pass-Throughs (adjusted for 15% NRW) vs. the Base Rate Cost (**):</b>				
4	Actual Production Costs and Other Pass-Throughs	\$3,636,606	\$3,636,606	\$0
5	Over-Under Collection Adjustment	114,026	\$114,026	\$0
6	Review Period PCOP Costs Adjusted for Over-Under Collections	3,750,632	\$3,750,632	\$0
7	Actual Water Sales (100 Gallons)	88,492,069	\$88,492,069	\$0
8	Actual Rate Cost Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 6 / Line 7)	\$0.04238	\$0.04238	\$0.00000
9	Base Rate Cost per 100 Gallons WS (Line 3)	0.04039		
10	Incremental Change in Production Costs and Other Pass-Throughs per 100 Gallons WS (Line 9 - Line 8)	\$0.00200		
11	Base Rate Case Water Sales 100 Gallons (Line 2)	100,578,654	102,106,392	1,527,738
12	Deferral Amount (Line 10 * Line 11)	\$200,740		
<b>III. Calculation of Production Costs and Other Pass-Throughs ("PCOP") Tariff Rider</b>				
13	Total Deferred Amount (Line 12)	\$200,740		
14	Total Deferred Amount Grossed Up for revenue taxes (Line 13 / (1.0-.03191) (***)	207,357		
15	Projected Annual Base Rate Revenue subject to PCOP (*)	47,073,724	47,073,724	0
16	PCOP % (Line 14 / Line 15)	0.44%	0.15%	-0.29%

**Q10. DOES THIS CONCLUDE YOUR TESTIMONY?**

**A10.** Yes, however, I reserve the right to correct, amend or add to my testimony if new information becomes available or if I identify an error.

IN THE TENNESSEE PUBLIC UTILITY COMMISSION  
AT NASHVILLE, TENNESSEE

IN RE:

PETITION OF TENNESSEE-  
AMERICAN WATER COMPANY  
REGARDING THE 2021 PRODUCTION  
COSTS AND OTHER PASS-  
THROUGHS RIDER

)  
)  
)  
)  
)  
)  
)

DOCKET NO. 21-00006

---

AFFIDAVIT

---

I, Alex Bradley, on behalf of the Consumer Advocate Unit of the Attorney General's Office hereby certify that the attached Updated Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Unit.

Alex Bradley

ALEX BRADLEY

Sworn to and subscribed before me

This 7<sup>th</sup> day of June, 2021

Terra Allen

NOTARY PUBLIC



My Commission Expires:

September 28, 2022