

BUTLER | SNOW

June 7, 2021

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 2021 Capital Recovery Riders Reconciliation,*
TPUC Docket No. 21-00030

Dear Chairman Hill:

Attached for filing please find the *Supplemental Testimony of Todd P. Wright* in the above-captioned matter.

As required, one (1) hard copy will be mailed to your office. 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: Todd Wright, TAWC

Rachel Bowen, Consumer Advocate Unit

Vance Broemel, Consumer Advocate Unit

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PETITIONER'S EXHIBIT TPW-3

TENNESSEE-AMERICAN WATER COMPANY, INC.

DOCKET NO. 21-00030

SUPPLEMENTAL TESTIMONY

OF

TODD P. WRIGHT

ON

**PETITION OF TENNESSEE-AMERICAN WATER COMPANY IN SUPPORT OF THE
CALCULATION OF THE 2021 CAPITAL RECOVERY RIDERS' RECONCILIATION
CHANGES TO THE PRODUCTION COSTS AND OTHER PASS-THROUGHS RIDER**

SPONSORING PETITIONER'S REVISED EXHIBITS:

PETITIONER'S REVISED EXHIBIT – CAPITAL RIDERS RECONCILIATION – TPW
PETITIONER'S REVISED EXHIBIT – PROPOSED TARIFF SHEET NO. 12 – TPW
PETITIONER'S REVISED EXHIBIT – ANNUAL APPROVED TARIFFS – TPW

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

2 A. My name is Todd P. Wright and my business address is One Water Street, Camden, New
3 Jersey 08102.

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

5 A. I am employed by American Water Works Service Company (“AWW”) as Senior Manager
6 in Regulatory Services. Upon the voluntary departure of Elaine K. Chambers, I have
7 assumed the position of Interim Director, Rates and Regulatory on a temporary basis for
8 Tennessee and Kentucky.

9 **Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?**

10 A. I have adopted the Pre-filed Direct Testimony of Elaine K. Chambers submitted in this case
11 on March 1, 2021 on behalf of Tennessee-American Water Company (“Tennessee
12 American,” “TAWC” or “Company”).

13 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

14 A. The purpose of my supplemental testimony is to revise TAWC’s calculation previously
15 submitted on 3/1/2021. A billing issue related to private fire customers who pay in advance
16 has been discovered.

17 **Q. CAN YOU ELABORATE FURTHER ON THIS BILLING ISSUE?**

18 A. Certainly. The billing issue for private fire customers pertains to customers that have
19 terminated service since the inception of the alternative rate mechanisms authorized in
20 Docket No. 13-00130. Since the departing private fire customers pay in advance for a
21 quarter, these customers should receive partial credits for the portion of the quarter during
22 which they will not be receiving service. In reviewing the customer credits being given to
23 such departing private fire customers, it was discovered that the Company has been

crediting the entire amount of the surcharge revenues originally billed to each such departing/terminating customer going back to the effective date of the alternate rate mechanisms (i.e., the Capital Recovery Riders and the PCOP Rider)

Q. WHAT IS THE OVERALL EFFECT OF THIS BILLING CREDITS ISSUE?

A. The net amount of the billing over-credits described above is \$156,185. The one-time adjustment essentially removes the private fire under-collection from the capital rider reconciliation amount, reducing the original amount filed in this docket. This one-time adjustment corrects the billing over-credits going back to the effective date of the alternative rate mechanisms.

Q. CAN YOU ELABORATE ON WHY THIS ONE-TIME ADJUSTMENT IS NECESSARY?

A. The one-time adjustment ensures that other customer classes are not being impacted by the private fire over-credits. Since the departing private fire customers were being over-credited on their final bills, the Company is reducing this net amount of \$156,185 from the capital rider reconciliation. With this adjustment, the billing credits that were returned in excess to the departing private fire customers is corrected, removing the impact on all other customer classifications.

Q. HAVE CORRECTIVE MEASURES BEEN IMPLEMENTED TO RESOLVE THIS BILLING ISSUE GOING FORWARD?

A. Yes. The proration logic for the capital rider surcharge rates has been updated in the Company's billing system addressing the advance private fire credits upon termination of service.

1 **Q. ARE YOU SPONSORING ANY REVISED EXHIBITS?**

2 **A. Yes, I am. I am sponsoring the following revised exhibits:**

3 **Petitioner's Revised Exhibit – Capital Riders' Reconciliation – TPW**
4 **Petitioner's Revised Exhibit – Proposed Tariff Sheet No. 12 – TPW**
5 **Petitioner's Revised Exhibit – Annual Approved Tariffs – TPW**
6

7 **Q. WERE THE PETITIONER'S EXHIBITS LISTED ABOVE PREPARED BY YOU**
8 **OR UNDER YOUR DIRECTION AND SUPERVISION?**

9 **A. Yes.**

10 **Q. WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE**
11 **PETITIONER'S EXHIBITS LISTED ABOVE?**

12 **A. The data used to prepare the exhibits was acquired from the books of account and business**
13 **records of Tennessee American and other internal sources, which I examined in the course**
14 **of my investigation of the matters addressed in this testimony.**

15 **Q. DO YOU CONSIDER THIS DATA TO BE RELIABLE AND OF A TYPE THAT IS**
16 **NORMALLY USED AND RELIED ON IN YOUR BUSINESS FOR SUCH**
17 **PURPOSES?**

18 **A. Yes.**

19 **Q. DO ANY OF THE PETITIONER'S REVISED EXHIBITS REPLACE ANY**
20 **EXHIBITS PREVIOUSLY SUBMITTED IN THIS MATTER?**

21 **A. Yes. The three exhibits attached to my supplemental testimony replace the exhibits**
22 **previously filed on 3/1/2021.**

23 **Q. DO THE PETITIONER'S REVISED EXHIBITS LISTED ABOVE ACCURATELY**
24 **SUMMARIZE SUCH DATA AND THE RESULTS OF ANALYSIS USING SUCH**
25 **DATA?**

1 A. Yes, they do. The revised exhibits reference the Company's response to Consumer
2 Advocate Unit's Discovery Request 2-2, in which the Company provided the source
3 information from the private fire billing issue.

4 **Q. HAVE YOU INCLUDED THE REVISED CALCULATION OF THE 2021**
5 **CAPITAL RECOVERY RIDERS' RECONCILIATION FROM WHAT WAS**
6 **ORIGINALLY SET FORTH IN THE PETITION?**

7 A. Yes. I have attached an exhibit that reflects the revised calculation of the 2021 Capital
8 Riders Reconciliation. The detailed calculations are attached in an exhibit to my
9 supplemental testimony as Petitioner's Revised Exhibit - Capital Riders'
10 Reconciliation – TPW. The adjustment for the net billing credits is shown on line 29. Due
11 to the reduction for the billing credits, an additional reduction in interest is also included
12 on line 31.

13 **Q. HOW ARE THE 2021 CAPITAL RECOVERY RIDERS' RECONCILIATION**
14 **RECOVERED?**

15 A. The 2021 Capital Recovery Riders Reconciliation is expressed as a percentage. The
16 proposed revised tariff sheet Twenty-Fourth Revised Sheet No. 12 – Riders - 1 is attached
17 to my supplemental testimony as Petitioner's Revised Exhibit - Proposed Sheet No. 12
18 – TPW.

19 **Q. WHAT IS THE REVISED PROPOSED QIIP RIDER?**

20 A. TAWC is proposing a QIIP Rider that results in revenue recovery of \$842,114 for nine
21 months of 2021 year or a surcharge of 2.39%. TAWC originally proposed a QIIP Rider
22 that resulted in revenue recovery of \$936,467 for nine months of 2021 year or a surcharge
23 of 2.65%.

1 **Q. WHAT IS THE REVISED PROPOSED EDI RIDER?**

2 A. TAWC is proposing an EDI Rider that results in revenue recovery of (\$-180,376) for nine
3 months of 2021 year or a surcharge of -.51%. TAWC originally proposed an EDI Rider
4 that resulted in a total revenue refund of (\$174,802) for nine months of 2021 year or a
5 surcharge of -0.50%.

6 **Q. WHAT IS THE REVISED PROPOSED SEC RIDER?**

7 A. TAWC is proposing a SEC Rider that results in revenue recovery of \$218,713 for nine
8 months of 2021 year or a surcharge of .62%. TAWC originally proposed a SEC Rider that
9 resulted in a total revenue recovery of \$277,509 for nine months of 2021 year or a surcharge
10 of .79%.

11 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL SUBMITTED**
12 **IN THE ORIGINAL FILING ON 3/1/2021?**

13 A. The typical residential customer living in the City of Chattanooga, using an average of
14 4,154 gallons per month, will see an increase in their bill of \$0.63 per month, or \$5.70 in
15 2021.

16 **Q. WHAT IS THE IMPACT TO THE AVERAGE CUSTOMER BILL BEING**
17 **SUBMITTED IN THE SUPPLEMENTAL TESTIMONY?**

18 A. The typical residential customer living in the City of Chattanooga, using an average of
19 4,154 gallons per month, will see an increase in their bill of \$0.54 per month, or \$4.86 in
20 2021. I am also providing the updated table reflecting the detailed changes for each Capital
21 Recovery Rider, including the reconciliations. This is attached to my testimony as
22 **Petitioner's Revised Exhibit – Annual Approved Tariffs – TPW.**

1 **Q. WHAT DO YOU RECOMMEND IN REGARD TO THE PETITION?**

2 A. I recommend that the petition be approved for the adjustment in the 2021 Capital Rider
3 Reconciliation, as amended by my supplemental testimony.

4 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

5 A. Yes.

Tennessee American Water Company
Qualified Infrastructure Improvement Program Rider (QIIP)
Economic Development Investment Rider (EDI)
Safety and Environmental Compliance Rider (SEC)
Reconciliation of the Calculation of Revenue Requirement
As of 12/31/2020

Line Number	Description	Qualified Infrastructure Investment Program QIIP			Economic Development Investment EDI			Safety and Environmental Compliance SEC			Total		
		Average YTD 12/31/2020			Average YTD 12/31/2020			Average YTD 12/31/2020			Average YTD 12/31/2020		
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
1	Additions Subject to Rider:	\$62,350,731	\$61,042,389	\$1,308,343	\$3,333,421	\$4,897,499	(\$1,564,079)	\$35,446,319	\$35,915,099	(\$468,780)	\$101,130,471	\$101,854,987	(\$724,516)
2	Plus: Cost of Removal less Salvage	10,616,845	8,979,803	1,637,042	2,021	933	1,088	3,821,246	3,621,793	199,453	14,440,112	12,602,529	1,837,583
3	Less: Contributions in Aid to Construction (CIAC)	2,312,697	2,300,403	12,294	128,439	58,274	70,165	0	0	0	2,441,136	2,358,677	82,459
4	Less: Deferred Income Taxes	7,820,953	8,206,197	(385,244)	199,221	274,937	(75,716)	4,622,706	4,818,563	(195,857)	12,642,880	13,299,697	(656,817)
5	Less: Accumulated Depreciation	3,897,577	3,501,288	396,289	96,356	117,977	(21,621)	3,076,391	2,949,109	127,282	7,070,324	6,568,374	501,950
6	Net Investment Supplied Additions:	\$58,936,350	\$56,014,304	\$2,922,046	\$2,911,425	\$4,447,244	(\$1,535,819)	\$31,568,469	\$31,769,220	(\$200,752)	\$93,416,244	\$92,230,768	\$1,185,476
7													
8	Pre-Tax Authorized Rate of Return:	8.45%	8.45%		8.45%	8.45%		8.45%	8.45%		8.45%	8.45%	
9	Pre-Tax Return on Additions:	\$4,980,978	\$4,734,022	\$246,955	\$246,058	\$375,857	(\$129,799)	\$2,667,994	\$2,684,961	(\$16,966)	\$7,895,029	\$7,794,840	\$100,190
10													
11	Depreciation Expense on Additions:	1,515,622	1,086,583	429,039	45,665	77,211	(31,547)	1,054,961	878,992	175,968	2,616,247	2,042,787	573,461
12													
13	Property and Franchise Taxes Associated:	762,017	692,955	69,063	45,045	66,157	(21,112)	448,308	446,418	1,890	1,255,370	1,205,529	49,841
14													
15	Revenues:	7,258,617	6,513,560	745,057	336,767	519,225	(182,458)	4,171,263	4,010,371	160,892	11,766,647	11,043,155	723,492
16													
17	Revenue Taxes	3.19%	3.19%		3.19%	3.19%		3.19%	3.19%		3.19%	3.19%	
18	Capital Riders Revenues with Revenue Taxes	7,497,874	6,728,259	769,615	347,868	536,339	(188,472)	4,308,755	4,142,560	166,195	12,154,497	11,407,158	747,339
19													
20	APP Revenue Reduction	(4,558)	(4,558)		(168)	(168)		(4,700)	(4,700)		(9,426)	(9,426)	
21													
22	Total Capital Riders Revenues with Revenue Taxes & APP	\$7,493,316	\$6,723,700	\$769,615	\$347,700	\$536,171	(\$188,472)	\$4,304,056	\$4,137,860	\$166,195	\$12,145,071	\$11,397,732	\$747,339
23													
24													
25	Actual Capital Riders Revenues Billed		\$5,755,127			\$339,975			\$3,586,321			\$9,681,424	
26													
27	(Over)/Under Capital Riders Revenue Billings		968,574			196,196			551,539			1,716,308	
28	Budget to Actual Adjustment		769,615			(188,472)			166,195			747,339	
29	Private Fire Billing Adjustment		(92,844)			(5,485)			(57,856)			(156,185) (a)	
30	2019 Reconciliation Amount		(816,696)			(179,731)			(444,662)			(1,441,090)	
31	Earnings Test Adjustment		0			0			0			0	
32	Interest (Prime - 3.25%)		13,466			(2,884)			3,497			14,079	
33													
34	Reconciliation Amount		\$842,114			(\$180,376)			\$218,713			\$880,451	
35													
36	Authorized Capital Riders Revenues (9/12th)		\$35,305,293			\$35,305,293			\$35,305,293			\$35,305,293	
37													
38	Current Reconciliation Factor Percentage		2.39%			-0.51%			0.62%			2.50%	
39													

Explanation:

Tennessee American Water has been authorized 3 capital riders based on a 13-month average of in-service capital projects in the forecasted period. The revenue requirement for each rider is calculated similar to how total rate base is calculated by the Tennessee Public Utility Commission in a rate case. This table shows a comparison of the actual average over the reporting period to the proposed amount of each rider, and the total of the three.

*Taxes - From Docket #19-00105 which was approved on 6/1/2020.
Earnings Test - Calculation methodology from Earnings Test workpaper

(a) Per company's response to Consumer Advocate Unit Discovery Request 2-002 Supplemental

CLASSIFICATION OF SERVICE**SUMMARY OF RIDERS****1. Applicability**

In addition to the other charges provided for in this Tariff under Service Classifications Residential, Commercial, Industrial, Other Public Authority, Sales for Resale, and Private Fire, a Qualified Infrastructure Improvement Program ("QIIP") Rider, an Economic Development Investment Program Rider ("EDI"), a Safety and Environmental Compliance Program Rider ("SEC"), and Production Costs and Other Pass-Throughs Rider ("PCOP") will apply to customers in all service areas.

2. The Percentage of Riders and Reconciliations

For the Riders defined in the tariffs:


QIIP	19.14%
EDI	1.25%
<u>SEC</u>	<u>9.70%</u>
Subtotal of all Capital Recovery Riders	30.09%
QIIP Annual Reconciliation Percentage	2.39% (I)
EDI Annual Reconciliation Percentage	-0.51% (D)
<u>SEC Annual Reconciliation Percentage</u>	<u>0.62% (I)</u>
Subtotal of all Capital Recovery Riders	2.50% (I)
Total of Capital Recovery Riders and Reconciliation Percentages	32.59% (I)
Offset to Capital Recovery Riders for TCJA savings	-6.62%
Offset to Capital Recovery Riders for TCJA Excess ADIT	-4.54%
PCOP	-0.65%

(D) Indicates Decrease

(I) Indicates Increase

ISSUED: June 7, 2021 EFFECTIVE: July 7, 2021

BY:


Grant A. Evitts
PRESIDENT

109 Wiehl Street
Chattanooga, Tennessee 37403

**Authorization of Tennessee American Water Capital Recovery Riders
Since Last Rate Case (Docket No. 12-00049)**

TPUC Docket No.	Effective Date	Rider	Authorized Annual Change	Total Cumulative Rider	Reconciliation Authorized	Authorized Rider Total	Capital Riders		
							Cumulative Total	TCJA Offset	Impact to Bill
13-00130	4/15/2014	QIIP	0.790%	0.790%	0.000%	0.790%			
		EDI	0.180%	0.180%	0.000%	0.180%			
		SEC	0.110%	0.110%	0.000%	0.110%			
		Total	1.080%		0.000%		1.080%	0.00%	1.080%
14-00121	6/30/2015	QIIP	1.340%	2.130%	0.000%	2.130%			
		EDI	-0.130%	0.050%	0.000%	0.050%			
		SEC	3.430%	3.540%	0.000%	3.540%			
		Total	4.640%		0.000%		5.720%	0.00%	5.720%
15-00029*	11/1/2015	QIIP	0.000%	2.130%	0.254%	2.384%			
		EDI	0.000%	0.050%	-0.150%	-0.100%			
		SEC	0.000%	3.540%	0.064%	3.604%			
		Total	0.000%	5.720%	0.168%		5.888%	0.00%	5.888%
15-00111	3/15/2016	QIIP	2.430%	4.560%	0.000%	4.560%			
		EDI	0.050%	0.100%	0.000%	0.100%			
		SEC	2.180%	5.720%	0.000%	5.720%			
		Total	4.660%		0.000%		10.380%	0.00%	10.380%
16-00022*	10/11/2016	QIIP	0.000%	4.560%	1.166%	5.726%			
		EDI	0.000%	0.100%	-0.178%	-0.078%			
		SEC	0.000%	5.720%	-0.118%	5.602%			
		Total	0.000%		0.870%		11.250%	0.00%	11.250%
16-00126	3/14/2017	QIIP	2.960%	7.520%	0.000%	7.520%			
		EDI	0.240%	0.340%	0.000%	0.340%			
		SEC	0.370%	6.090%	0.000%	6.090%			
		Total	3.570%		0.000%		13.950%	0.00%	13.950%
17-00020*	8/16/2017	QIIP	0.000%	7.520%	1.763%	9.283%			
		EDI	0.000%	0.340%	-0.031%	0.309%			
		SEC	0.000%	6.090%	-0.826%	5.264%			
		Total	0.000%		0.906%		14.856%	0.00%	14.856%
17-00124	4/10/2018	QIIP	2.530%	10.050%	0.000%	10.050%			
		EDI	0.070%	0.410%	0.000%	0.410%			
		SEC	-0.120%	5.970%	0.000%	5.970%			
		Total	2.480%		0.000%		16.430%	0.00%	16.430%
18-00022*	12/17/2018	QIIP	0.000%	10.050%	1.542%	11.592%			
		EDI	0.000%	0.410%	-0.081%	0.329%			
		SEC	0.000%	5.970%	-0.628%	5.342%			
		Total	0.000%		0.833%		17.263%	0.00%	17.263%
18-00120	9/1/2019	QIIP	1.600%	11.650%	0.000%	11.650%			
		EDI	0.240%	0.650%	0.000%	0.650%			
		SEC	0.910%	6.880%	0.000%	6.880%			
		Total	2.750%		0.000%		19.180%	-6.62%	12.560%
19-00031*	12/9/2019	QIIP	0.000%	11.650%	-1.140%	10.510%			
		EDI	0.000%	0.650%	-0.320%	0.330%			
		SEC	0.000%	6.880%	-0.920%	5.960%			
		Total	0.000%		-2.380%		16.800%	-6.62%	10.180%
19-00105	1/1/2020	QIIP	2.630%	14.280%	0.000%	14.280%			
		EDI	0.490%	1.140%	0.000%	1.140%			
		SEC	1.910%	8.790%	0.000%	8.790%			
		Total	5.030%		0.000%		24.210%	-6.62%	17.590%
20-00028*	4/1/2020	QIIP	0.000%	14.280%	-2.310%	11.970%			
		EDI	0.000%	1.140%	-0.510%	0.630%			
		SEC	0.000%	8.790%	-1.260%	7.530%			
		Total	0.000%		-4.080%		20.130%	-6.62%	13.510%
20-00128	1/1/2021	QIIP	4.860%	19.140%	0.000%	19.140%			
		EDI	0.110%	1.250%	0.000%	1.250%			
		SEC	0.910%	9.700%	0.000%	9.700%			
		Total	5.880%		0.000%		30.090%	-11.16%	18.930%
21-000XX*	4/1/2021	QIIP	0.000%	19.140%	2.390%	21.530%			
		EDI	0.000%	1.250%	-0.510%	0.740%			
		SEC	0.000%	9.700%	0.620%	10.320%			
		Total	0.000%		2.500%		32.590%	-11.16%	21.430%

* Reconciliations are only effective until December 31 of the year authorized by the TPUC.

STATE OF NEW JERSEY)
)
COUNTY OF CAMDEN)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Todd Wright 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.

Todd P Wright
Todd P Wright

Sworn to and subscribed before
me this 3rd day of June, 2021.

Ann G. Alfano, Commission # 50014130

Notary Public

My Commission Expires: 04/15/2025

CERTIFICATE OF SERVICE

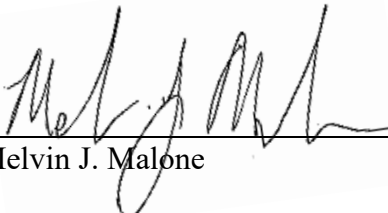
I hereby certify that a true and correct copy of the foregoing was served via U.S. Mail or electronic mail upon:

Rachel C. Bowen
Counsel for the Consumer Advocate Unit
rachel.bowen@ag.tn.gov

Vance L. Broemel
Senior Assistant Attorney General
vance.broemel@ag.tn.gov

Office of the Tennessee Attorney General
Financial Division, Consumer Advocate Unit
P.O. Box 20207
Nashville, TN 37202-0207

This the 7th day of June, 2021.



Melvin J. Malone